



Prepared by the

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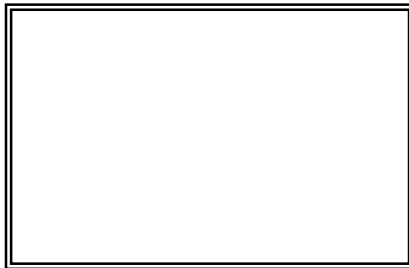
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## Roanoke County Board of Supervisors



Joseph P. McNamara,  
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Richard C. Flora  
Vice Chairman  
Hollins District



Michael W. Altizer  
Vinton District



Joseph B. "Butch" Church  
Catawba District



H. Odell "Fuzzy" Minnix  
Cave Spring District



Elmer C. Hodge  
County Administrator



**COUNTY OF ROANOKE, VIRGINIA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2003**

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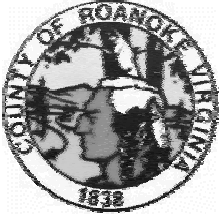
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# Introductory Section





**County of Roanoke**  
Department of Finance  
5204 Bernard Drive, PO Box 29800  
Roanoke, VA 24018

October 17, 2003

To the Citizens of the County of Roanoke, Virginia:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the County of Roanoke (the "County") for the fiscal year ended June 30, 2003. This document was prepared by the Department of Finance in compliance with State laws that require an annual audit at the close of each fiscal year. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

In compliance with Virginia statutes, the basic financial statements have been audited by our independent auditors, KPMG LLP. Such annual audits are planned and performed to obtain reasonable, not absolute, assurance about whether the basic financial statements of the County of Roanoke are free of material misstatement whether caused by error or fraud. In addition to meeting the requirements set forth in state statutes, the audit also was designed to test the compliance of the County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The independent auditors' report on the basic financial statements is included in the financial section of this CAFR. The independent auditors' reports related specifically to compliance with laws and regulations are included in the single audit section of this CAFR.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section, which includes this transmittal letter, the most recently awarded *Certificate of Achievement for Excellence in Financial Reporting*, the organizational chart, a brief history and a listing of principal officials, presents an overview of the government's structure, services, and environment. The financial section includes the Independent Auditors' Report, Management's Discussion and Analysis, all basic financial statements, and notes that provide additional information on the County's financial position and operating results, combining statements and other schedules that provide detailed information relative to the basic financial statements.

The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis. This statistical information provides the reader with a synopsis of trends and provides a basis for year-to-year comparison, as well as comparison to other municipalities.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides an introduction, overview and analysis of financial results for fiscal year 2002-2003 along with summaries of the government wide financial statements that follow. Management's Discussion and Analysis is contained in the financial section of this report.

The County of Roanoke takes great pride in the municipal services provided to citizens. The Roanoke County Public Schools, henceforth known as the "Schools", is a discretely presented component unit of the County and as such is part of this reporting entity. Additional information for the Schools is available in the separately published Schools comprehensive annual financial report. Other services include police and fire protection, water and sewer services, sanitation services, general public improvements, planning and zoning management, and general administrative services. Residents enjoy certain other services provided by joint cooperation with neighboring localities such as airport facilities, solid waste facilities, and schools for the education of disabled students. These areas of joint cooperation have not met the established financial reporting criteria for inclusion in the reporting entity's basic financial statements.

### **Economic Condition and Outlook**

Roanoke County is primarily the suburban hub of the Roanoke Valley. Within the County's geographical boundaries lie the cities of Roanoke and Salem, as well as the Town of Vinton. The County's population is 87,700<sup>1</sup>, up by 2.2% from the 2000 census. This 2.2% increase exceeds the projected average increase of 1%. The County is part of the Roanoke Metropolitan Statistical Area (MSA) that has a total population of 237,900, an increase of 0.8% over the 2000 census. The County is within easy reach of major markets for local manufacturers and distributors via Interstate 81 and railway access.

The County draws from a regional labor force of 370,000 within a radius of sixty miles. The average unemployment rate for the Roanoke Valley during the 12-month period ending June 30, 2003 was 2.5%<sup>2</sup>. Though marginally lower than the prior year, this rate compares favorably with the State average of 3.99% for the same period. Stabilizing economic conditions combined with a well-educated labor force, low utility rates, affordable housing, and a compelling quality of life contribute to the interest of companies locating and expanding in the Roanoke Valley.

The County's Economic Development Department was again successful in attracting new business to Roanoke County. Provisions under the public/private partnership policy allow businesses to receive assistance from the County for qualifying facility expansions and relocations. The expected return on investment in new taxes and employment is a critical measure governing the use of public funds to assist businesses and industries. A press conference, attended by Governor Warner and other state and local officials, was held in February 2003 to announce that Marvin Windows and Doors would open a manufacturing plant in the County, to produce its line of Integrity Windows and Doors. Marvin Windows and Doors is the world's largest made-to-order wood window and door manufacturer. The plant will be located on a 42-acre industrial tract in the Valley Gateway Center off of Route 460. At the anticipated 2008 completion of a two-phase building plan, the Integrity facility will occupy a 400,000 square foot manufacturing facility, and will have created 350 new jobs.

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<sup>1</sup> Population source: VA Stats, Weldon Cooper Center, Charlottesville, VA

<sup>2</sup> Virginia Employment Commission statistics

The Existing Businesses Program Manager provides ongoing support and facilitates communication with established businesses and industries. The New Century Technology Council Award for High-Tech Corporation was awarded to RR Donnelley. RR Donnelley brought its book-printing operations into Roanoke County approximately seven years ago. They are known as one of the most technologically advanced, four-color book printing facilities in the world. Their Roanoke County facility was recently featured in Fortune Magazine as one of two elite manufacturing facilities in the United States. RR Donnelley has boosted their productivity by 20% since 2002. Novozymes Biologicals, which began operations in Roanoke County during FY 2002, was named Biotechnology Company of the Year by the Virginia Biotechnology Association. Novozymes has acquired four separate companies and doubled their workforce, from 65 to 132 employees, since June of 2002. Their rapid growth necessitated an additional 7,000 square foot expansion to their newly completed administration building. Precision Fabrics Group and Atlas Cold Storage undertook expansion projects to purchase new equipment, and in the process upgraded their information technology systems. As a result, the two companies will receive approximately \$100,000 in workforce training and retraining funds from the Virginia Department of Business Assistance.

Commonwealth Builders, also doing business in Roanoke County, in partnership with IBM Pervasive Computing has made the new Village at Tinker Creek the first all-IBM connected community in the United States. Synchrony, a technology company that develops advanced controls, automation, and information, was selected by the U.S. Air Force for a Small Business Innovation Research (SBIR) award to develop an advanced electrical starter-generator for aerospace power systems. This project is a collaborative effort with Rolls-Royce, a leading manufacturer of gas turbine engines for military and commercial applications. AmRhein Wine Cellars was recently presented with its second consecutive Governor's Cup. Only two other wineries have won the award back-to-back in the last 21 years of the award. The Roanoke Feed Mill of the Southern States Cooperative won its second Environmental Award from the American Feed Industry Association for recycling all but .02% of the total production output of 84,079 tons of solid waste products. Southern States is the only mill to have won the award twice.

The County's existing industry and business retention program is an integral part of economic development efforts. The County's Economic Development staff serves as a clearinghouse for business expansion assistance from State, Federal or local sources. Establishing a dialogue with companies in the County and developing a relationship with business leaders enables the County to provide appropriate assistance. County Supervisors, the County Administrator, local business representatives, and the Economic Development staff meet regularly at Magisterial District Breakfast gatherings to explore business issues and opportunities, and formulate strategic plans.

Investment returns were again lower than anticipated. These lower rates of return led to a reduction of interest income from that realized in the prior year.

Nevertheless, the economic outlook for the Roanoke Valley is optimistic. With its diverse employment base, ready access to major markets, low construction costs, pro-business climate, and compelling quality of life, Roanoke County is well positioned for continued economic growth in the years ahead. Moreover, the success of recently established businesses and growth of existing businesses serve to attract other enterprises to the County.

## **Major Initiatives**

**Bonds:** The County of Roanoke refunded the outstanding General Obligation Public Improvement and Refunding Bonds, Series 1993 of approximately \$26,810,000 and General Obligation Public Improvement Bonds, Series 1991 of approximately \$1,525,000. The estimate of savings is approximately \$136,000 annually through June 30, 2021, for a total savings of approximately \$2,595,000. These savings will be used to fund ongoing County capital projects, such as the vehicle maintenance and building maintenance program.

**Public Safety:** An ongoing commitment to ensure the safety of all citizens of Roanoke County is the foundation on which many financial commitments are made. During fiscal year 2003, the Board of Supervisors approved the hiring of ten additional firefighters. Once these firefighters have completed training, three will be assigned to the Catawba station, three to the Hollins station, and four to the Masons Cove station. At that point, paid firefighters will staff all County stations with the exception of the station jointly owned by Roanoke and Botetourt Counties. Transport fees, buoyed by an increase in Medicaid reimbursement rates, will offset some of the cost associated with the new hires.

**Parks, Recreation and Tourism (PRT):** The County park system and recreational programs serve as a major factor in the quality of life enjoyed by Roanoke Valley residents. They also serve the County's efforts to attract and retain business and industry, as well as attracting visitors to the area. The County works in unison with the Roanoke Valley Convention and Visitors Bureau (the "Bureau") to accomplish special events and develop tourism opportunities. The County provides direct financial support as well as staff assistance to the Bureau for operations, committee assignments and other support functions. During fiscal year 2003, County-owned sites were used during a state-wide softball tournament that brought many tourists and thousands of tourist dollars to the Roanoke Valley.

## **FOR THE FUTURE**

**Water Authority:** The County Board of Supervisors and the Roanoke City Council, voted on February 27, 2003 to establish a regional water and wastewater authority, to serve citizens in both the County and City of Roanoke (the "City"). The Authority will be formed based on three principles as follows: 1) there will be equal representation of the City and the County on the Authority Board, 2) the assets of both the City and the County will be pooled, and 3) the City and County rates will be equalized over a period of time.

The City and the County have named the new entity the Western Virginia Water Authority (WVWA), and are in the process of selecting the individuals to serve on the Authority. The Authority membership will be composed of seven members - three city members, three county members, and a jointly selected seven member.

This will be a full service water and wastewater Authority. The existing utility staffs from the County and the City will be transferred to the new entity. These employees are participating in numerous teams that have been established to address the varying aspects of the new Authority. In addition, other departments in the City and County, such as Finance, Human Resources, Community Development, Information Technology, and Garage are working on teams to set up systems and procedures. The current goal of the teams is to have the new Authority in place by July 1, 2004.

**Public Private Education Facilities Infrastructure Act:** The Virginia General Assembly adopted the Public Private Education Facilities and Infrastructure Act of 2002 to authorize “responsible public entities” to create a public private partnership for the development of a “qualifying project”. The County Board of Supervisors adopted procedures for the implementation of the Public Private Education Facilities Infrastructure Act (PPEA) of 2002. These procedures will guide the Board and staff as they receive and evaluate proposals for a Public Safety Building.

**Explore Park (Virginia Recreational Facilities Authority):** The County continues to support Explore Park. Explore Park is an educational park owned by the Commonwealth of Virginia. Period interpreters entertain and educate visitors during the spring and summer of each year. In fiscal year 2003, the County, in cooperation with the Commonwealth, made a commitment to provide management and administrative expertise. Additionally, staff in the County Department of Parks, Recreation, and Tourism will maintain Explore Park grounds and facilities. Moving forward, the County will provide for the services of a program director, who will be charged with enhancing entertainment and educational programs in the Park.

**ISO 14001:** The County Board of Supervisors adopted an Environmental Policy in August, 2001. Since then, a team of County employees has been working to create and implement such a system, with the goal of becoming ISO (International Organization for Standardization) 14001 compliant. ISO 14001 is an internationally recognized environmental management system standard that provides a highly effective, globally accepted framework for establishing and continually improving applicable management system processes. Becoming compliant represents a significant commitment to environmental protection and pollution prevention.

## **FINANCIAL INFORMATION**

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation for costs and benefits requires estimates and judgments by management.

**Single Audit.** As a recipient of Federal and State financial assistance, the government is responsible for ensuring that internal control is adequate and in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management.

As a part of the government's single audit, tests are performed to determine the adequacy of internal control, including that portion related to Federal financial assistance programs, as well as to determine that the government has complied, in all material respects, with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2003 provided no instances of material weakness in internal control or significant violations of applicable laws and regulations.

**Budgeting Controls.** The budget function is used as a management tool, including performance objectives, goals and long-range planning, as well as maintaining budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors. Activities of the general fund and debt service fund are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget.

**Enterprise Operations.** During the year, the County had operations in two enterprise funds, the water fund and the sewer fund.

**WATER FUND -** The County provides water services to the citizens of the County. The rates that are charged to the users are sufficient to fund these operations.

In order to meet the future water needs of the citizens, the County constructed a water reservoir and water treatment plant in the western part of Roanoke County and expanded the water distribution and storage facilities in the early 1990's. To fund this project, the County sold \$15 million in general obligation bonds and \$59.7 million in water revenue bonds in October 1991. The debt service on the \$15 million general obligation bonds is being paid by the general fund. The debt service on the water revenue bonds was being paid from the growth of new customers and an increase in the water rates. These rates will be reviewed with the rate setting of the new Western Virginia Water Authority.

**SEWER FUND –** Several localities in the Roanoke Valley share wastewater treatment services. The wastewater treatment facility, operated by the City of Roanoke, requires additional improvements to comply with the requirements of the Virginia Department of Environmental Quality. These improvements relate primarily to the capacity of the plant to accept and process wastewater generated in the Roanoke Valley. The County has received a low interest loan from the Virginia Wastewater Revolving Loan Fund to fund its share of the cost of the improvements. In order to partially fund the debt service on this loan, a sewer rate increase of 8.36% was approved effective September 1, 2002. This equates to an average residential customer monthly billing increase of about \$1.29. It is anticipated that another increase, in an amount to be determined, will be required in fiscal year 2004-05. This rate increase will be reviewed along with the rate setting of the new Western Virginia Water Authority.

**Cash Management.** Under a pooled-cash concept, the County invests all funds in cash and cash equivalents with maturities planned to coincide with cash needs. The County's funds are invested in State approved financial institutions. The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its limited portfolio. As a local government unit in the Commonwealth of Virginia, the County is restricted by the Virginia Security for Public Deposits Act to utilize depositories that have been qualified for investment by the Commonwealth of Virginia. Accordingly, deposits were either insured by federal depository insurance or highly collateralized. All collateral on deposits was held either by the County, its agent or a financial institution's trust department in the County's name. All categorized investments held by the County at June 30, 2003 are classified in the category of lowest custodial risk (Category 1) as defined by the Governmental Accounting Standards Board. Amendments to the County Investment Policy approved by the Board of Supervisors during the



2001-2002 fiscal year further strengthened the investment policy by limiting the investment amount in any one commercial paper issue.

**Risk Management.** The County has a separate Risk Management division to monitor the insurance programs of both the County and the Schools. The Board of Supervisors adopted a policy statement establishing uniform procedures for handling liability, property, and fidelity exposures of the County, including the Schools. The Risk Management division is also responsible for coordinating the County safety program, employee awareness training, and other risk control techniques.

The County is self-insured for health insurance and workers' compensation for both the County and the School employees, and general liability and automobile liability for the County. The County adopted a formal policy guideline for the management of the general liability and automobile liability insurance programs. A board of trustees was established to monitor and review claims, and to establish acceptable reserves. A third party administrator monitors the health insurance and workers' compensation insurance programs.

## **OTHER INFORMATION**

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Roanoke for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. The *Certificate of Achievement for Excellence in Financial Reporting* is a prestigious national award recognizing conformity with the highest standards for preparation of state and local government financial reports.

In order to be awarded a *Certificate of Achievement for Excellence in Financial Reporting*, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A *Certificate of Achievement for Excellence in Financial Reporting* is valid for a period of one year only. The County of Roanoke has received a *Certificate of Achievement for Excellence in Financial Reporting* for the last nineteen consecutive years (fiscal years ended 1984-2002). We believe our current report conforms to the *Certificate of Achievement for Excellence in Financial Reporting* Program requirements, and it too is being submitted to the GFOA.

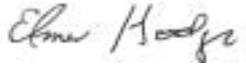
The GFOA also presented a Distinguished Budget Presentation Award to the County of Roanoke for its annual budget for the fiscal year beginning July 1, 2002. In order to receive this award, a governmental unit must publish a budget document that meets the program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium. The award is valid for a period of one year only. This is the sixteenth consecutive year that the government has received this prestigious award. We believe our current budget conforms to GFOA program requirements and have submitted it for GFOA award consideration.

Roanoke County Public Schools received its second consecutive *Certificate of Achievement for Excellence in Financial Reporting* for its comprehensive annual financial report for the fiscal year ended June 30, 2002.

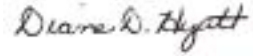
**Acknowledgements:** This Comprehensive Annual Financial Report results from dedicated efforts of the Department of Finance staff. Each member contributed either through research, data compilation, or the direct preparation of charts, graphs, and text. We thank each of you for your commitment to serving the citizens of the County of Roanoke, Virginia.

We are grateful, too, for the vision provided by the Board of Supervisors of the County. Their discerning guidance keeps the County of Roanoke on firm financial footing.

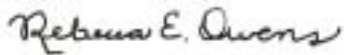
Sincerely,



Elmer C. Hodge  
County Administrator



Diane D. Hyatt  
Chief Financial Officer



Rebecca E. Owens  
Director of Finance

## **History of Roanoke County, Virginia**

In the 1740s, the first Scotch-Irish and German settlers reached the upper Roanoke Valley by traveling from Pennsylvania through the Shenandoah Valley. They were joined by Tidewater Virginians of English ancestry who journeyed up the valleys of the James and Roanoke Rivers.

Roanoke County, named after the Roanoke River, was formed in 1838 from a portion of Botetourt County and in 1849 a portion of Montgomery County was added. Roanoke County's name comes from the Indian word "Rawrenock", which means wampum. Wampum were white shell beads worn by Native Americans. This explanation comes from Captain John Smith, who wrote about the origins of Roanoke Island in North Carolina's Albermarle Sound.

Most of Roanoke County was rural in nature and farming was predominant throughout the area. By the latter half of the 20th century, Roanoke County, (the "County"), was in transition from farm to factory, but the County's rural population was still relatively large in 1920.

The County today has a population of approximately 87,700 and is a mostly suburban area that surrounds the City of Roanoke. Its 251 square miles include the Town of Vinton; Hollins, home of the prestigious Hollins University for women; and historic Bonsack. A diversified economic base provides security from market fluctuations related to particular products.

The County is governed by a charter approved by the 1986 session of the Virginia General Assembly which grants additional authority to the County Administrator. The Board of Supervisors is the governing body of the County. Members of the Board, one from each of five magisterial districts, are elected to four-year terms. Board members annually select a Chairman and Vice-Chairman to each serve a one-year term.

The Board appoints a County Administrator to act as administrative head of the County. The County Administrator serves at the pleasure of the Board, carries out its policies and directs business procedures. All department heads report to the County Administrator except for the School Board, Welfare Board, Library Board, Health Department and the County Attorney who report directly to the Board. Five constitutional officers (Commissioner of the Revenue, Commonwealth's Attorney, Clerk of the Circuit Court, Sheriff, and Treasurer) are elected by the voters of the County and are not accountable to the Board, but work closely with the Board and the County Administrator.

On July 1, 1980, the Roanoke County Public Service Authority (therein called the "Authority") was dissolved and the sewer utility operation became a part of the utility department within the County government. The water utility operation had been transferred to the County effective July 1, 1976.

Roanoke County's pioneering spirit extends to modern times. In 1989, Roanoke County was named an All-American City. Regional cooperation, public-private partnerships, citizen involvement, innovation, and quality services provide the foundation for Roanoke County's strength. The County was the first in the state to have curbside recycling, and in 1996, the library system began offering free public access to the Internet.

The Department of Engineering and Inspections acquired a 50/50 grant from the U.S. Corps of Engineers to develop a GIS mapping system providing digital orthophotos, topographic and planimetric features. Integration with the County's E-911 dispatch system, school bus and solid waste vehicle routing, and utility department is planned.

The County participates in the Roanoke Regional Airport Commission, formed in 1987. Mutual concern for valley air service and growth resulted in a two million-dollar contribution from the County over a ten-year period. This is representative of a new cooperative, promotional spirit that is emerging in the Roanoke Valley between local governments. In addition, the County has been nationally recognized for governmental cooperation with Botetourt County. Past cooperative efforts between the two counties include the building of a joint industrial park and a library.

In November 1992, the Roanoke County Police Department became the first nationally accredited department in Southwest Virginia. Existing departmental programs, including criminal investigations, traffic enforcement, domestic violence, crime prevention, criminal apprehension, and community-involved policing, were enhanced through the accreditation process.

Roanoke County has positioned itself well to face the challenges of the next century. Early in 1996, the County began supplying residents with fresh water from the Spring Hollow Reservoir Water System. The system consists of a dam, reservoir, water treatment facility, and pump station as well as distribution storage and transmission lines. The system is the culmination of a 20-year search for a new water supply for the Roanoke Valley, and is located at the foot of Poor Mountain in West Roanoke County. This water supply will be sufficient to last the County for the next 50 years. The water treatment facility will be sufficient through the year 2010, at which time it can easily be expanded to provide additional treatment capacity.

The Roanoke Valley Resource Authority, (the "RVRA"), was established on October 23, 1991 under a user agreement between the County of Roanoke, the City of Roanoke and the Town of Vinton to develop a regional solid waste disposal facility. A seven-member board appointed by the governing bodies of the Charter Members presently governs the RVRA. The County has control over the budget and financing of the Authority only to the extent of representation by board members appointed. The old regional sanitary landfill operated by the Roanoke Valley Regional Solid Waste Management Board was closed on September 30, 1993.

Explore Park, a unique recreational and educational experience located in east county near Vinton, is the County's tourism focus. Upon completion, Explore Park will include a frontier settlement, North American wilderness zoological park, and environmental education center. The Park will be completed in various phases with a major emphasis on environmental preservation.

From its beginning, Roanoke County has served as a catalyst for growth and unity in the Roanoke Valley. In fact, most of the present day neighborhoods in the Valley started life within Roanoke County. The County continues to support this cooperative spirit with its citizens, private commercial and industrial interests, and area localities.

# County of Roanoke

## County Officials

June 30, 2003

### ***Board of Supervisors***

Joseph P. McNamara, Chairman, Windsor Hills District  
Richard C. Flora, Vice Chairman, Hollins District  
Michael W. Altizer, Vinton District  
Joseph B. "Butch" Church, Catawba District  
H. Odell "Fuzzy" Minnix, Cave Spring District

### ***County Administration***

Elmer C. Hodge, County Administrator

County Attorney .....	Paul M. Mahoney
Assistant County Administrator .....	John M. Chambliss, Jr.
Assistant County Administrator .....	Daniel O'Donnell
Chief Financial Officer.....	Diane D. Hyatt
Director of Management and Budget .....	W. Brent Robertson
Director of Economic Development .....	Doug Chittum
Director of Finance.....	Rebecca Owens
Director of Human Resources.....	Joseph Sgroi
Director of Real Estate Assessments .....	William Driver
Director of Information Technology .....	M. Elaine Carver
Director of Community Development .....	O. Arnold Covey
Director of Libraries.....	Diana Rosapepe
Director of Parks, Recreation and Tourism .....	Thomas "Pete" Haislip
Director of General Services.....	Anne Marie Green
Director of Social Services.....	Betty R. McCrary
Director of Utilities.....	Gary L. Robertson
Registrar .....	Diane Henson
Roanoke County Extension Unit Director .....	Leslie K. Robinson
Chief of Police .....	James Ray Lavinder
Chief of Fire and Rescue .....	Richard E. Burch, Jr.
Clerk to the Board .....	Diane S. Childers

### ***Constitutional Officers***

Clerk of the Circuit Court.....	Steven A. McGraw
Commissioner of the Revenue.....	Nancy Horn
Commonwealth Attorney.....	Edwin R. Leach
Sheriff.....	Gerald S. Holt
Treasurer .....	Alfred C. Anderson

**Roanoke County Public Schools  
Principal Officials  
As of June 30, 2003**

**School Board**

Marion G. Roark, Chairman .....	Catawba District
Jerry L. Canada, Vice Chairman .....	Hollins District
William A. Irvin, III .....	Cave Spring District
C. Drew Barrineau, Member .....	Windsor Hills District
Michael W. Stovall, Member .....	Vinton District
Brenda Chastain .....	Clerk of the School Board

**School Administration**

Linda H. Weber, Superintendent of Schools

Deputy Superintendent of Administration .....	James Gallion
Assistant Superintendent of Instruction .....	Lorraine S. Lange
Assistant Superintendent of Personnel .....	Thompson H. Hall, III
Director of Budget and Finance .....	Penny A. Hodge
Director of Technology .....	Jane W. James
Director of Special Education and Pupil Personnel .....	Patricia A. Radcliffe
Executive Assistant for Operations .....	Richard C. Flora



# County of Roanoke Organizational Chart

## Citizens of Roanoke County

### School Board

### Elected Board of Supervisors

Joseph P. McNamara, Chairman - Windsor Hills

Richard C. Flora, Vice-Chairman - Hollins

Michael W. Altizer - Vinton

Joseph B. "Butch" Church - Catawba

H. Odell "Fuzzy" Minnix - Cave Spring

### Elected Officials

Clerk of Circuit Court

Commissioner of the Revenue

Commonwealth Attorney

Sheriff

Treasurer

### County Attorney

### Clerk to the BOS

### County Administrator

Asst. County Administrator for Management Services

Asst. County Administrator for Human Services

Chief Financial Officer

### Community Relations

### Judicial Functions

Circuit Court

Court Services Unit

General District Court

Juvenile & Domestic Relations Court

Magistrate

### Public Safety

Fire & Rescue

Police

### Community Services

Community Development

Economic Development

General Services

Utilities

### Human Services

Elections

Libraries

Parks, Recreation & Tourism

Public Health

Social Services

VA Cooperative Extension

### Management Services

Finance

Human Resources

Information Technology

Management & Budget

Real Estate Valuation

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

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Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial  
Reporting is presented by the Government Finance Officers  
Association of the United States and Canada to  
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reports (CAFRs) achieve the highest  
standards in government accounting  
and financial reporting.



President

Executive Director



## **Financial Section**





10 S. Jefferson Street, Suite 1710  
Roanoke, VA 24011-1331

## Independent Auditors' Report

The Honorable Members of the  
Board of Supervisors  
County of Roanoke, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Roanoke, Virginia (the County) as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Roanoke, Virginia as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2003 on our consideration of the County of Roanoke, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Schedule, and Schedule of Funding Progress on pages 19 through 29, 77 through 78, and 79, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the





required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Supplementary Information included in Schedules 1 through 6 and Schedules 8 through 15, and the accompanying Schedule of Expenditures of Federal Awards, which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, are not required parts of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The information listed in the introductory section and the statistical section of the accompanying table of contents and the Schedule of Treasurer's Accountability (Schedule 7) are not required parts of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express an opinion on this information.

KPMG LLP

October 17, 2003

**County of Roanoke**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

The following discussion and analysis of the County of Roanoke (the "County") financial performance provides an overview of financial activities for the year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report, and the County's basic financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

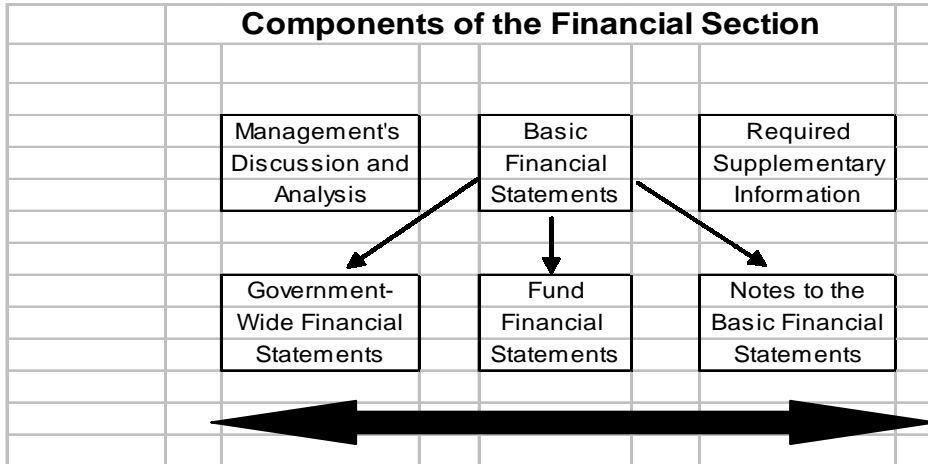
**FINANCIAL HIGHLIGHTS**

- The total assets of the County of Roanoke exceeded its liabilities as of June 30, 2003 by \$137.6 million (*net assets*) of this amount \$33.2 million (*unrestricted net assets*) may be used to meet the County's future obligations to citizens and creditors (Exhibit I).
- During the year, the County's taxes and other revenues for governmental programs were \$10.4 million more than the \$124.9 million of expenses (Exhibit II).
- The business-type activities total net assets at June 30, 2003 totaled \$81.2 million, an increase of \$2.5 million from the June 30, 2002 balance. Of this amount, approximately \$10.3 million is unrestricted.
- In the County's business-type activities, revenues increased \$1.4 million or 8.2% to \$18.4 million while expenses increased \$2.0 million or 14.3% to \$16.0 million.
- The County's outstanding debt decreased by \$8.2 million, or 4.7% during the year. This year general obligation bonds of \$27.4 million were issued to advance refund the 1991 General Obligation Water System Bonds and 1993 General Public Improvement Bonds. Also, Lease Revenue Bonds of \$2.7 were issued to advance refund the 1993 Lease Revenue Bonds. The debt payments on the refunded debt exceeded the effect of issuing new bonds resulting in reduced outstanding debt when compared to the prior year.
- Component unit net assets increased by \$1.3 million to \$45.1 million. Of this amount, \$13.9 million is unrestricted while \$31.2 million is invested in capital assets (Exhibit I).
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$10.5 million or 7.99% of fiscal year 2003 general fund revenues. The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 6.25% of general fund revenues.

**County of Roanoke  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The financial section of the comprehensive annual financial report consists of the following:



Management's discussion and analysis is intended to serve as an introduction to the County of Roanoke's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition, required supplementary information accompanies the basic financial statements but is unaudited.

Historically, the primary focus of local government financial statements has been summarized fund type information on a current financial resource basis. This approach has been modified and the basic financial statements present two types of financial statements, each with a different view of the County's finances, the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the County's overall financial position. The fund financial statements focus on the individual funds of the County, reporting the County's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the County's accountability.

### **Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements provide information about the County as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question: "Is the County's financial position, as a whole, better or worse as a result of the year's activities?"

**County of Roanoke**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

One of the main goals of these two statements is to report the County's net assets and changes that affected net assets during the fiscal year. The change in the County's net assets, the difference between assets and liabilities, is one way to measure the County's financial health, or financial position. Increases and decreases in net assets are indicators of whether the County's financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the County's property tax base and the condition of the County's infrastructure should also be considered in assessing the overall financial health of the County.

In the Statement of Net Assets and the Statement of Activities, the County's fund-based activity is classified as follows:

- Governmental activities – Most of the County's basic services are reported as governmental activities, including public safety, public works, judicial administration, library, health and welfare, parks, recreation and cultural, community development, education, and general government. Property and other local taxes, and state and federal grants finance most of these activities.
- Business-type activities - The County's Water and Sewer operations are reported as business-type activities as the County charges a fee to customers to cover all or most of the cost of the services they provide.
- Component Unit – The County includes a separate legal entity in its report – Roanoke County Public Schools. Although legally separate, a component unit is important because the County is financially accountable for the school division and provides operating and capital funding.

### **Fund Financial Statements**

Government financial statements have traditionally been prepared using the fund financial statement presentation. They provide more detailed information about the County's funds, focusing on its most significant or "major" funds – not the system as a whole. The County utilizes three types of funds:

- Governmental fund: Most of the County's basic services are reported in governmental funds, which focus on how resources flow into and out of those funds and the remaining balances at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation accompanying the fund financial statements.

**County of Roanoke**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

- Proprietary funds: When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported with the full accrual accounting method as are all activities reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's business-type funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The County Water and Sewer operations are accounted for as enterprise funds. The County uses Internal Service funds (the other component of proprietary funds) to report activities that provide services for the County's other programs and activities. The County uses Internal Service funds to provide for health, dental, and workers' compensation coverage for County and School employees and for County general and automobile liability coverage.
- Fiduciary funds: Resources held for other governments, individuals or agencies not part of the County are reported as fiduciary funds. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance its operations. The County acts in an agency capacity or fiscal agent, for the Roanoke Valley Resource Authority, the Roanoke Valley Regional Board, the Industrial Development Authority of Roanoke County, Virginia Recreational Facilities Authority, and other local agencies. Agency funds are custodial in nature and do not involve measurement of results of operations.

The governmental fund financial statements can be found beginning on page 34 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 42 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's budgetary comparisons and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 77 of this report.



**County of Roanoke**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Statement of Net Assets**

The following table reflects the condensed Summary of Net Assets as presented in the government-wide financial statements:

Summary of Net Assets As of June 30, 2002 and 2003								
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	FY2002	FY2003	FY2002	FY2003	FY2002	FY2003	FY2002	FY2003
Current and other assets	\$ 54,266,349	\$ 55,037,324	\$ 29,172,152	\$ 30,164,165	\$ 83,438,501	\$ 85,201,489	\$ 18,902,481	\$ 20,998,389
Capital assets, net	111,972,904	113,820,118	129,314,547	128,630,947	241,287,451	242,451,065	31,363,009	31,226,875
Total assets	\$ 166,239,253	\$ 168,857,442	\$ 158,486,699	\$ 158,795,112	\$ 324,725,952	\$ 327,652,554	\$ 50,265,490	\$ 52,225,264
Other Liabilities	\$ 20,482,845	\$ 19,666,479	\$ 10,562,849	\$ 10,949,135	\$ 31,045,694	\$ 30,615,614	\$ 5,192,345	\$ 6,123,859
Long-Term Liabilities	99,691,596	92,732,983	69,249,853	66,674,854	168,941,449	159,407,837	1,294,289	1,014,741
Total Liabilities	\$ 120,174,441	\$ 112,399,462	\$ 79,812,702	\$ 77,623,989	\$ 199,987,143	\$ 190,023,451	\$ 6,486,634	\$ 7,138,600
Invested in capital assets, net of related debt	\$ 29,917,310	\$ 33,609,128	\$ 58,102,192	\$ 59,476,705	\$ 88,019,502	\$ 93,085,833	\$ 31,363,009	\$ 31,226,875
Restricted	-	-	11,908,241	11,375,766	11,908,241	11,375,766	-	-
Unrestricted	16,147,502	22,848,852	8,663,564	10,318,652	24,811,066	33,167,504	12,415,847	13,859,789
Total Net Assets	\$ 46,064,812	\$ 56,457,980	\$ 78,673,997	\$ 81,171,123	\$ 124,738,809	\$ 137,629,103	\$ 43,778,856	\$ 45,086,664

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by \$137.6 million at the close of fiscal year 2003. This represents a 10.3% increase over last year.

The largest portion of the County's net assets at (67.6%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that are outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net assets (8.3%) represents resources that are subject to restrictions on how they may be used. The remaining balance is unrestricted net assets (24.1%) that may be used to meet the County's ongoing obligations to citizens and creditors.

In the case of the Roanoke County Public Schools (School System), assets exceed liabilities by \$45.1 million at the close of fiscal year 2003. This increase of \$1.3 million over the prior year is primarily the result of spending less than budgeted for employee medical claims in fiscal year 2003. The largest portion of the School System's net assets (69.3%) reflects its investment in capital assets. The remaining balance of unrestricted net assets (\$13.9 million) may be used to meet the School System's future obligations to citizens and creditors.

At the end of the current fiscal year, the County and School System were able to report a positive balance in all categories of net assets, both for the primary government as a whole, as well as for its separate governmental, business-type activities, and component unit. The same situation held true for the prior year fiscal year.

**County of Roanoke**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

**Statement of Activities**

The following table shows the revenue and expenses of the government-wide activities:

Changes in Net Assets								
For the Fiscal Years Ended June 30, 2002 and 2003								
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	FY2002	FY2003	FY2002	FY2003	FY2002	FY2003	FY2002	FY2003
<b>Revenues</b>								
Program Revenue								
Charges for services	\$ 5,896,435	\$ 6,660,853	\$ 15,558,152	\$ 16,845,770	\$ 21,454,587	\$ 23,506,623	\$ 3,696,241	\$ 3,493,913
Operating grants & contributions	16,153,768	16,389,153	-	-	16,153,768	16,389,153	17,233,294	15,159,116
Capital grants & contributions	825,243	60,618	214,545	754,965	1,039,788	815,583	1,360,322	1,104,616
General Revenue								
Property taxes	68,462,454	72,918,404	-	-	68,462,454	72,918,404	-	-
Sales taxes	6,185,519	6,547,632	-	-	6,185,519	6,547,632	-	-
Other taxes	19,234,941	19,543,727	-	-	19,234,941	19,543,727	-	-
Contributions	11,275,355	11,521,020	-	-	11,275,355	11,521,020	-	-
Other revenues	3,154,577	1,680,373	1,231,086	847,101	4,385,663	2,527,474	35,540,132	38,797,659
Payments from the County	-	-	-	-	-	-	52,763,511	55,881,964
<b>Total revenues</b>	<b>\$ 131,188,292</b>	<b>\$ 135,321,780</b>	<b>\$ 17,003,783</b>	<b>\$ 18,447,836</b>	<b>\$ 148,192,075</b>	<b>\$ 153,769,616</b>	<b>\$ 110,593,500</b>	<b>\$ 114,437,268</b>
<b>Expenses</b>								
General government	\$ 6,571,567	\$ 7,214,980	\$ -	\$ -	\$ 6,571,567	\$ 7,214,980	\$ -	\$ -
Judicial administration	1,796,482	1,665,839	-	-	1,796,482	1,665,839	-	-
Public safety	24,005,383	26,307,110	-	-	24,005,383	26,307,110	-	-
Public works	10,206,081	11,131,347	-	-	10,206,081	11,131,347	-	-
Library	2,226,979	2,159,475	-	-	2,226,979	2,159,475	-	-
Health & welfare	8,027,057	8,940,906	-	-	8,027,057	8,940,906	-	-
Parks, recreation & culture	3,230,340	4,503,852	-	-	3,230,340	4,503,852	-	-
Community development	4,302,889	3,665,869	-	-	4,302,889	3,665,869	-	-
Education	56,136,808	54,795,014	-	-	56,136,808	54,795,014	106,254,702	113,129,460
Water	-	-	6,751,006	7,105,343	6,751,006	7,105,343	-	-
Sewer	-	-	3,720,392	4,767,464	3,720,392	4,767,464	-	-
Interest and other charges	4,679,981	4,544,220	3,437,292	4,077,903	8,117,273	8,622,123	-	-
<b>Total expenses</b>	<b>\$ 121,183,567</b>	<b>\$ 124,928,612</b>	<b>\$ 13,908,690</b>	<b>\$ 15,950,710</b>	<b>\$ 135,092,257</b>	<b>\$ 140,879,322</b>	<b>\$ 106,254,702</b>	<b>\$ 113,129,460</b>
Changes in net assets	\$ 10,004,725	\$ 10,393,168	\$ 3,095,093	\$ 2,497,126	\$ 13,099,818	\$ 12,890,294	\$ 4,338,798	\$ 1,307,808
Net assets beginning of year	36,060,087	46,064,812	75,578,904	78,673,997	111,638,991	124,738,809	39,440,058	43,778,856
Net assets end of year	\$ 46,064,812	\$ 56,457,980	\$ 78,673,997	\$ 81,171,123	\$ 124,738,809	\$ 137,629,103	\$ 43,778,856	\$ 45,086,664

The County's total revenues increased over the prior year by 3.8% to \$153.8 million and expenses for all programs and services rose 4.3% to \$140.9 million.

Approximately 47.4% of the County's revenues come from property taxes, 12.7% from other taxes, 15.3% from charges for services, 10.7% operating grants and contributions, 7.5 % from contributions, 4.3% from sales tax and 2.1% from other and miscellaneous.

The County's expenses cover a range of services, with about 38.9% related to Education, 18.7% to Public Safety and 7.9% to Public Works.

**Governmental Activities**

Governmental activities increased the County's net assets by \$10.4 million, accounting for 80.6% of growth in the total net assets of the County. Revenues for governmental activities increased \$4.1 million (3.2%) and total expenses increased \$3.7 million (3.1%) when compared to the prior year. Key elements of these changes were as follows:

- Property tax revenues increased by \$4.4 million (6.5%) during the year. This increase is due to an average increase of 5% in the assessed valuation of taxable real property.

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- Other revenues decreased mainly as a result of the decline in interest rates yielding \$950,000 less in investment earnings and unrealized gains on investments.
- Public safety expenditures increased \$2.3 million mainly due to a full-year implementation of funding for the 35 additional paramedic/firefighter positions to provide enhanced coverage for fire and rescue calls throughout the County in fiscal year 2003. Also, funding for 6 additional Dispatchers to E-911 Center to absorb cellular E-911 calls that were transferred to localities from the Virginia State Police.
- Health and welfare expenditures increased \$914,000 as a result of state mandated increases in social service caseloads for youth from the courts and schools requiring additional funding for Community Policy Management Team.
- Education payments from the County increased by \$3.1 million to help fund salary increases and premium increases in health insurance.

**Business-type Activities**

Business-type activities increased the County's net assets by \$2.5 million, accounting for 19.4% of the total growth in the total net assets of the County. Revenues for business-type activities increased \$1.4 million (8.5%) and total expenses increased by \$2.0 million (14.7%) when compared to prior year. Key elements contributing to these results are as follows:

- Charges for services for the water operations increased by \$1.1 million or 11% due to increased sales of water to the City of Roanoke.
- Purchased services for the sewer operations increased by \$1 million due to an increase in the bulk sewer paid to the City of Roanoke.
- Interest and other charges increased \$600,000.

**Component Unit**

Component unit increased its net assets by \$1.3 million. Revenues for component unit activities increased \$3.8 million (3.5%) and total expenses increased by \$6.9 million (6.5%). Key elements of these changes are as follows:

- Operating grants and contributions decreased by 12 percent during fiscal year 2003 primarily due to the state rolling incentive payments for salary increases and new teaching positions into basic aid for public education.
- Capital grants and contributions decreased by \$256,000 when the state legislators reduced funding for school construction by 50 percent in fiscal year 2003.
- Education expenses increased due to cost of living adjustments to salaries, increases in health insurance premiums, and additional instructional personnel.

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the

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County's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the County completed the year, its governmental funds reported a combined governmental fund balance of \$35.6 million, a decrease compared to the previous year. Approximately \$34.1 million constitutes unreserved fund balance, of which \$10.7 million is available for governmental spending and \$23.4 million is designated by management for tentative spending plans. The remainder of fund balance is reserved to indicate that it is not available for new spending.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved and designated fund balance of the general fund was \$6.6 million, while total fund balance reached \$18.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.7% of total general fund expenditures. Of unreserved fund balance, undesignated amount of \$10.5 million represents 9.1% of total general fund expenditures. The primary reasons for the general fund's increase in fund balance mirror those highlighted in the analysis of governmental activities in the government-wide financial statements.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The County's budget is prepared in accordance with the *Code of Virginia*. During the year, the County amended the original budget primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2002 but not paid by that date.
- To reappropriate grants, donations and other revenues authorized in fiscal year 2002 or earlier, but not expended or encumbered as of June 30, 2002.
- To appropriate grants, donations, and other revenues accepted or adjusted in fiscal year 2003 when official notice of approval was received.
- To appropriate the designated general fund balance to capital projects.

Below is a condensed version of the budgetary comparison of the General Fund original budget, amended budget, and actual amounts for fiscal year 2003.

Budgetary Highlights for 2003			
	Original Budget	Budget as Amended	Actual
Revenues	\$ 130,090,561	\$ 129,002,265	\$ 130,926,463
Expenditures	63,308,716	67,060,246	60,748,544
Transfers	66,781,845	65,965,411	65,904,151
Net change in fund balance	\$ -	\$ (4,023,392)	\$ 4,273,768

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Actual general fund total revenues exceeded the amended budget by \$1.9 million for fiscal year 2003, primarily due to better economic conditions than originally projected and local and state revenues coming in higher than expected.

Actual expenditures were \$6.3 million less than the final amended budget. These savings are attributed to the County requiring departments to implement cost saving measures to offset expected decreased revenues from the state and the limited growth of local revenues due to the anticipated slow down in the economy. Savings were realized from County-wide freeze on travel and capital purchases as well as from not filling vacant positions, however the budget was not adjusted to reflect the reductions.

**Proprietary Funds**

The County's proprietary funds consist of the Water Fund, Sewer Fund, and the general government Internal Service Funds. The Internal Service Funds provide for health and dental insurance as well as risk management activities related to workers' compensation and general liability insurance. Water and Sewer activities are supported solely by fees assessed to users of County provided water and sewer services. Revenues generated by these funds must be sufficient to provide for annual operating costs, as well as, long-term debt service payments as prescribed by bond agreements.

Business-type activities increased the County's net assets by \$2.5 million, accounting for 19.4% of the total growth in the net assets of the County. Revenues for business-type activities increased \$1.4 million (8.5%) and total expenses increased by \$2.0 million (14.7%) when compared to the prior year.

The primary reasons for the business-type activities increase in fund balance mirror those highlighted in the analysis of business-type activities in the government-wide financial statements.

**CAPITAL ASSETS**

As June 30, 2003, the County had invested \$242.5 million net of accumulated depreciation in a variety of capital assets including land, buildings, construction in progress, land improvements, and equipment. The total net increase in the County's investment in capital assets for the current year was \$1.2 million.

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Additional information on the County's capital assets can be found in note 9 in the notes to the basic financial statements. Capital assets net of accumulated depreciation is illustrated in the following table:

<b>Capital Assets</b>								
<b>As of June 30, 2002 and 2003</b>								
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<b>FY2002</b>	<b>FY2003</b>	<b>FY2002</b>	<b>FY2003</b>	<b>FY2002</b>	<b>FY2003</b>	<b>FY2002</b>	<b>FY2003</b>
Land	\$ 8,951,196	\$ 9,673,290	\$ 1,035,741	\$ 1,035,741	\$ 9,986,937	\$ 10,709,031	\$ 5,137,412	\$ 5,137,412
Buildings, improvements and systems	80,978,287	116,011,049	131,873,468	134,761,769	212,851,755	250,772,818	47,877,287	47,914,726
Furniture, fixtures, and equipment	25,991,252	26,995,393	3,201,414	3,235,215	29,192,666	30,230,608	13,077,345	13,841,756
Construction in progress	32,695,414	1,962,530	27,807,482	27,597,688	60,502,896	29,560,218	862,740	1,251,457
Subtotal	148,616,149	154,642,262	163,918,105	166,630,413	312,534,254	321,272,675	66,954,784	68,145,351
Accumulated depreciation	(36,643,245)	(40,822,144)	(34,603,558)	(37,999,466)	(71,246,803)	(78,821,610)	(35,591,775)	(36,918,476)
Totals	\$ 111,972,904	\$ 113,820,118	\$ 129,314,547	\$ 128,630,947	\$ 241,287,451	\$ 242,451,065	\$ 31,363,009	\$ 31,226,875

Major capital asset events during the current fiscal year included the following:

- Implementation of new federal programs regulating Storm Water Management for the quality of storm water run-off, detention, and retention ponds within the County at an initial cost of \$200,000.
- Information Technology Upgrade for the replacement of hardware and software at an initial cost of \$500,000. Phase I of the upgrade focused on Real Estate Billings and Collections, Debt Set-Off and Real Estate Assessments. This upgrade will continue over the next several years.
- Several flood reduction projects were completed at a total cost of \$722,000.

### **LONG-TERM DEBT**

At June 30, 2003, the County had a number of bonded debt issues outstanding. These include \$25.5 million of general obligation debt, \$56.1 million of Virginia Public School Authority bonds for School purposes, \$2.2 million of general obligation debt for enterprise operations, and \$67 million of revenue bonds for enterprise operations. In addition, there is \$9.5 million of outstanding literary loan debt issued for School capital projects. The County also has \$5.8 million in outstanding lease commitments for general and School operations. Although the issuance of bonds by Virginia counties is not subject to any limitations on amount, counties are prohibited from issuing general obligation bonds unless the issuance has been approved by public referendum.

To take advantage of lower interest rates, the County issued approximately \$27.4 million of General Obligation Bonds to advance refund the 1991 General Obligation Water System Bonds and the 1993 General Obligation Public Improvement Bonds. The County reduced its total debt service payments by approximately \$3.1 million over the next nineteen years which resulted in an economic gain of approximately \$2.2 million. Also, the County issued approximately \$2.7 million of Lease Revenue Bonds to advance refund the 1993 Lease Revenue Bonds reducing its debt service payments by approximately \$650,000 over the next ten years which resulted in an economic gain of approximately \$548,000.

**County of Roanoke**  
**Management's Discussion and Analysis**  
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The County has adopted a debt policy that establishes guidelines and limitations for the issuance of debt. The debt policy addresses the level of indebtedness the County can reasonably expect to incur without jeopardizing its financial position and to ensure the efficient and effective operation of the County. The County measures its level of debt through three ratios: 1) net debt per capita (excluding business type funds) should not exceed \$1,500, 2) net debt per assessments should not exceed 3%, and 3) debt service to general fund expenditures should not exceed 10%. As of June 30, 2003, the County's net debt per capita ratio was \$1,040, the net debt to assessments ratio was 1.49, and the percent of debt service to general expenditures was 5.24%.

The County has maintained bond ratings on outstanding debt of AA from Standard & Poor's Corporation and Aa2 from Moody's Investor Service.

Additional information on the County's long-term debt can be found in note 8 in the notes to the basic financial statements. The following table illustrates the County's outstanding debt:

Outstanding Debt, At Fiscal Year End June 30, 2003						
	Governmental Activities		Business Type Activities		Total Primary Government	
	FY2002	FY2003	FY2002	FY2003	FY2002	FY2003
General Obligation Bonds	\$ 25,860,000	\$ 25,538,398	\$ 2,463,334	\$ 2,188,857	\$ 28,323,334	\$ 27,727,255
Revenue Bonds	-	-	68,749,021	66,965,385	68,749,021	66,965,385
Virginia Public School Authority Bonds	59,864,797	56,144,053	-	-	59,864,797	56,144,053
Literary Fund Loans	10,390,658	9,506,626	-	-	10,390,658	9,506,626
Capitalized Lease Obligations	7,074,153	5,831,689	-	-	7,074,153	5,831,689
Totals	\$ 103,189,608	\$ 97,020,766	\$ 71,212,355	\$ 69,154,242	\$ 174,401,963	\$ 166,175,008

### FACTORS INFLUENCING FUTURE BUDGETS

Key factors that are expected to impact future budget include:

- Uncertainty regarding the economy and state funding.
- Projected increases in health insurance premiums and retirement contribution rates assessed by the Virginia Retirement System.
- Funding for the Capital Improvement Program

### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018, telephone (540) 772-2020, or visit the County's web site at [www.co.roanoke.va.us](http://www.co.roanoke.va.us).

Additional information on the Component Unit can be obtained in the separately published Roanoke County Public Schools comprehensive annual financial report. Please contact the Director of Budget and Finance, Roanoke County Public Schools, 5937 Cove Road, Roanoke, Virginia 24019, or visit the School's web site at [www.rcs.k12.va.us](http://www.rcs.k12.va.us).





## **Basic Financial Statements**

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Net Assets**  
**June 30, 2003**

Exhibit I

<b>ASSETS</b>	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Cash and cash equivalents	\$ 17,977,697	\$ 13,553,509	\$ 31,531,206	\$ 12,185,082
Cash and investments with fiscal agents	52,672	-	52,672	-
Investments	26,670,116	-	26,670,116	5,061,299
Accounts receivable	5,783,170	1,562,836	7,346,006	150,191
Due from other governments	3,047,496	-	3,047,496	3,547,838
Internal balances	730,285	(730,285)	-	-
Inventories	51,360	220,658	272,018	53,979
Prepaid and other assets	724,528	-	724,528	-
Deferred charges	-	665,522	665,522	-
Restricted assets:				
Cash and cash equivalents	-	2,423,901	2,423,901	-
Cash and cash equivalents with fiscal agents	-	3,710,921	3,710,921	-
Investments	-	8,757,103	8,757,103	-
Capital assets:				
Land and construction in progress	11,635,820	28,633,429	40,269,249	6,388,869
Other capital assets, net	102,184,298	99,997,518	202,181,816	24,838,006
Capital assets, net	<u>\$ 113,820,118</u>	<u>\$ 128,630,947</u>	<u>\$ 242,451,065</u>	<u>\$ 31,226,875</u>
Total assets	<u>\$ 168,857,442</u>	<u>\$ 158,795,112</u>	<u>\$ 327,652,554</u>	<u>\$ 52,225,264</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,568,526	\$ 625,006	\$ 3,193,532	\$ 2,185,904
Accrued wages and benefits	871,216	88,705	959,921	447,973
Payable from restricted assets:				
Accounts payable	-	13,215	13,215	-
Accrued interest payable	-	2,161,690	2,161,690	-
Deposits	-	480,249	480,249	-
Deferred revenue	5,622,632	253,995	5,876,627	1,214,159
Accrued interest payable	1,617,766	4,599,638	6,217,404	-
Other liabilities	33,824	-	33,824	-
Long-term liabilities :				
Portion due or payable within one-year:				
Bonds payable	6,186,497	2,629,431	8,815,928	-
Capital leases	914,857	-	914,857	-
Compensated absences	1,062,489	97,206	1,159,695	595,801
Claims payable	1,162,460	-	1,162,460	1,680,022
Portion due or payable after one-year:				
Bonds payable	85,002,580	66,524,811	151,527,391	-
Capital leases	4,916,832	-	4,916,832	-
Compensated absences	1,512,264	150,043	1,662,307	1,014,741
Claims payable	727,519	-	727,519	-
Landfill postclosure costs	200,000	-	200,000	-
Total liabilities	<u>\$ 112,399,462</u>	<u>\$ 77,623,989</u>	<u>\$ 190,023,451</u>	<u>\$ 7,138,600</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 33,609,128	\$ 59,476,705	\$ 93,085,833	\$ 31,226,875
Restricted for:				
Renewal and replacement	-	2,415,841	2,415,841	-
Debt service	-	4,870,741	4,870,741	-
Rate stabilization	-	4,089,184	4,089,184	-
Unrestricted	22,848,852	10,318,652	33,167,504	13,859,789
Total net assets	<u>\$ 56,457,980</u>	<u>\$ 81,171,123</u>	<u>\$ 137,629,103</u>	<u>\$ 45,086,664</u>

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Statement of Activities  
For the Year Ended June 30, 2003

Exhibit II

					Net (Expenses) Revenues and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 7,214,980	\$ 140,582	\$ 682,497	\$ -	\$ (6,391,901)	\$ -	\$ (6,391,901)	\$ -
Judicial administration	1,665,839	916,750	811,599	-	62,510	-	62,510	-
Public safety	26,307,110	3,091,305	6,122,660	-	(17,093,145)	-	(17,093,145)	-
Public works	11,131,347	414,662	-	-	(10,716,685)	-	(10,716,685)	-
Library	2,159,475	36,468	207,639	-	(1,915,368)	-	(1,915,368)	-
Health and welfare	8,940,906	429,397	5,829,012	-	(2,682,497)	-	(2,682,497)	-
Parks, recreation, and culture	4,503,852	869,400	32,472	-	(3,601,980)	-	(3,601,980)	-
Community development	3,665,869	762,289	117,677	60,618	(2,725,285)	-	(2,725,285)	-
Education	54,795,014	-	2,585,597	-	(52,209,417)	-	(52,209,417)	-
Interest and other charges	4,544,220	-	-	-	(4,544,220)	-	(4,544,220)	-
Total governmental activities	<u>\$ 124,928,612</u>	<u>\$ 6,660,853</u>	<u>\$ 16,389,153</u>	<u>\$ 60,618</u>	<u>\$ (101,817,988)</u>	<u>\$ -</u>	<u>\$ (101,817,988)</u>	<u>\$ -</u>
Business-type activities:								
Water	\$ 10,361,679	\$ 11,293,731	\$ -	\$ 351,741	\$ -	\$ 1,283,793	\$ 1,283,793	\$ -
Sewer	5,589,031	5,552,039	-	403,224	-	366,232	366,232	-
Total business-type activities	<u>\$ 15,950,710</u>	<u>\$ 16,845,770</u>	<u>\$ -</u>	<u>\$ 754,965</u>	<u>\$ -</u>	<u>\$ 1,650,025</u>	<u>\$ 1,650,025</u>	<u>\$ -</u>
<b>Total primary government</b>	<u><u>\$ 140,879,322</u></u>	<u><u>\$ 23,506,623</u></u>	<u><u>\$ 16,389,153</u></u>	<u><u>\$ 815,583</u></u>	<u><u>\$ (101,817,988)</u></u>	<u><u>\$ 1,650,025</u></u>	<u><u>\$ (100,167,963)</u></u>	<u><u>\$ -</u></u>
<b>Component unit</b>								
Roanoke County Public Schools	113,129,460	3,493,913	15,159,116	1,104,616	-	-	-	(93,371,815)
<b>Total component unit</b>	<u><u>\$ 113,129,460</u></u>	<u><u>\$ 3,493,913</u></u>	<u><u>\$ 15,159,116</u></u>	<u><u>\$ 1,104,616</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (93,371,815)</u></u>
General revenues:								
Real estate and personal property					\$ 72,918,404	\$ -	\$ 72,918,404	\$ -
Local share of sales tax					6,547,632	-	6,547,632	-
Other local taxes					19,543,727	-	19,543,727	-
Contributions					11,521,020	-	11,521,020	-
Payments from Roanoke County					-	-	-	55,881,964
State aid					-	-	-	38,426,184
Interest and investment earnings					1,427,427	778,028	2,205,455	-
Miscellaneous					252,946	9,973	262,919	347,322
Gain on sale of capital assets					-	59,100	59,100	24,153
Total general revenues					<u>\$ 112,211,156</u>	<u>\$ 847,101</u>	<u>\$ 113,058,257</u>	<u>\$ 94,679,623</u>
Change in net assets					<u>\$ 10,393,168</u>	<u>\$ 2,497,126</u>	<u>\$ 12,890,294</u>	<u>\$ 1,307,808</u>
Net assets at beginning of year					46,064,812	78,673,997	124,738,809	43,778,856
Net assets at end of year					<u>\$ 56,457,980</u>	<u>\$ 81,171,123</u>	<u>\$ 137,629,103</u>	<u>\$ 45,086,664</u>

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Balance Sheet  
Governmental Funds  
June 30, 2003

Exhibit III

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,347,329	\$ 221,657	\$ 6,060,768	\$ 9,629,754
Cash and investments with fiscal agents	-	-	52,672	52,672
Investments	14,729,143	-	11,940,973	26,670,116
Receivables	5,670,874	-	8,708	5,679,582
Interfund receivable	730,285	-	-	730,285
Due from other governments	3,008,210	-	39,286	3,047,496
Inventories	51,360	-	-	51,360
Total assets	<u>\$ 27,537,201</u>	<u>\$ 221,657</u>	<u>\$ 18,102,407</u>	<u>\$ 45,861,265</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,072,564	\$ -	\$ 464,895	\$ 2,537,459
Accrued wages and benefits	871,216	-	-	871,216
Other liabilities	33,704	120	-	33,824
Deferred revenue	6,016,075	-	-	6,016,075
Interfund payable	-	-	827,736	827,736
Total liabilities	<u>\$ 8,993,559</u>	<u>\$ 120</u>	<u>\$ 1,292,631</u>	<u>\$ 10,286,310</u>
Fund balances:				
Reserved for:				
Inventories	\$ 51,360	\$ -	\$ -	\$ 51,360
Encumbrances	1,446,829	-	-	1,446,829
Unreserved:				
Designated for:				
Subsequent year's budget	6,730,290	-	-	6,730,290
Capital projects	-	-	16,809,776	16,809,776
Undesignated	10,315,163	221,537	-	10,536,700
Total fund balances	<u>\$ 18,543,642</u>	<u>\$ 221,537</u>	<u>\$ 16,809,776</u>	<u>\$ 35,574,955</u>
Total liabilities and fund balances	<u>\$ 27,537,201</u>	<u>\$ 221,657</u>	<u>\$ 18,102,407</u>	<u>\$ 45,861,265</u>

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Balance Sheet  
Governmental Funds  
June 30, 2003

Exhibit III (continued)

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

Total fund balances for governmental funds (Exhibit III) \$ 35,574,955

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. Those assets consist of:

Land and construction in progress	11,635,820	
Other capital assets, net of \$40,822,144 of accumulated depreciation	<u>102,184,298</u>	
Total capital assets, net		113,820,118

Internal service funds (Exhibit V) are used by the County to charge the cost of health, dental, and risk management to individual funds. These assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. Internal service fund net assets are: 6,958,128

County revenues that are not available soon enough after year end to pay for current period expenditures, and therefore are reported as deferred revenues in the funds 793,536

Long-term assets and liabilities, related to bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Balances at June 30, 2003 are:

Prepaid and other assets	724,528	
Accrued interest on bonds	(1,617,766)	
Bonds payable, capital leases and landfill post closure costs	(97,220,766)	
Compensated absences	<u>(2,574,753)</u>	
Total long-term assets and liabilities		(100,688,757)

Total net assets of governmental activities (Exhibit I)	<u><u>\$ 56,457,980</u></u>
---	-----------------------------

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2003

Exhibit IV

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 73,501,276	\$ -	\$ -	\$ 73,501,276
Other local taxes	25,712,914	-	-	25,712,914
Permits, fees, and licenses	628,310	-	-	628,310
Fines and forfeitures	584,979	-	-	584,979
Use of money and property	732,323	27,007	3,024	762,354
Charges for services	2,931,449	-	-	2,931,449
Intergovernmental revenue	25,438,539	2,585,597	873,761	28,897,897
Miscellaneous	1,396,673	-	684,525	2,081,198
Total revenues	<u>\$ 130,926,463</u>	<u>\$ 2,612,604</u>	<u>\$ 1,561,310</u>	<u>\$ 135,100,377</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	\$ 6,703,944	\$ -	\$ -	\$ 6,703,944
Judicial administration	1,812,595	-	-	1,812,595
Public safety	24,924,617	-	-	24,924,617
Public works	11,087,746	-	-	11,087,746
Library	2,142,685	-	-	2,142,685
Health and welfare	8,979,128	-	-	8,979,128
Parks, recreation, and culture	3,515,412	-	-	3,515,412
Community development	1,582,418	-	-	1,582,418
Education	54,825,683	-	-	54,825,683
Debt service:				
Principal	-	7,184,379	-	7,184,379
Interest and other charges	-	4,686,789	-	4,686,789
Capital outlay	-	-	7,886,015	7,886,015
Total expenditures	<u>\$ 115,574,228</u>	<u>\$ 11,871,168</u>	<u>\$ 7,886,015</u>	<u>\$ 135,331,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 15,352,235</u>	<u>\$ (9,258,564)</u>	<u>\$ (6,324,705)</u>	<u>\$ (231,034)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	\$ -	\$ 28,612,950	\$ 551,214	\$ 29,164,164
Payments to refunded escrow agent	-	(28,750,356)	-	(28,750,356)
Debt issue costs	-	(217,815)	-	(217,815)
Proceeds from sale of land	-	-	40,000	40,000
Transfers in	566,818	9,247,262	1,976,071	11,790,151
Transfers out	(11,645,285)	-	(566,818)	(12,212,103)
Total other financing sources(uses)	<u>\$ (11,078,467)</u>	<u>\$ 8,892,041</u>	<u>\$ 2,000,467</u>	<u>\$ (185,959)</u>
Net change in fund balances	<u>\$ 4,273,768</u>	<u>\$ (366,523)</u>	<u>\$ (4,324,238)</u>	<u>\$ (416,993)</u>
Fund balances at beginning of year	14,269,874	588,060	21,134,014	35,991,948
Fund balances at end of year	<u>\$ 18,543,642</u>	<u>\$ 221,537</u>	<u>\$ 16,809,776</u>	<u>\$ 35,574,955</u>

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2003

Exhibit IV (continued)

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities**

Net change in fund balances-total governmental funds (Exhibit IV)	\$ (416,993)
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Total change in net assets reported for governmental activities in the statement of activities is different due to:

Internal service funds (See exhibit VI) are used by the County to charge the cost of health, dental, and risk management to individual funds. The change in net assets of internal service funds is reported with governmental activities.	1,694,330
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	85,273
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,942,077) exceeded depreciation (\$5,094,863) expense in the current period.	1,847,214
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however issuing debt increased long-term liabilities and does not affect the change in net assets. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:		
2003 General Obligation Bond	(25,185,000)	
2002 Industrial Development Bond	(2,705,000)	
Bond premium	(653,398)	
Deferred Bond Charges	724,528	
Repayments	34,712,240	
Net adjustment		6,893,370

Long-term liability relieved for post closure landfill monitoring costs. The post closure liability is not recorded in the governmental funds.	50,000
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net change of the following:

Compensated absences	(8,790)	
Accrued interest on bonds	248,764	
Combined Adjustment		239,974

Change in net assets of governmental activities (Exhibit II)	\$ 10,393,168
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See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

Exhibit V

	Enterprise Funds			Internal
	Water Fund	Sewer Fund	Total	Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,984,207	\$ 3,569,302	\$ 13,553,509	\$ 8,347,943
Restricted assets:				
Cash and cash equivalents	1,452,413	971,488	2,423,901	-
Cash and cash equivalents with fiscal agents	3,508,102	-	3,508,102	-
Accounts receivable	1,080,398	482,438	1,562,836	103,588
Interfund receivable	-	-	-	374,177
Inventories	132,395	88,263	220,658	-
Total current assets	<u>\$ 16,157,515</u>	<u>\$ 5,111,491</u>	<u>\$ 21,269,006</u>	<u>\$ 8,825,708</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents with fiscal agents	202,819	-	202,819	-
Investments	8,757,103	-	8,757,103	-
Interfund receivable	-	-	-	453,559
Deferred charges	652,429	13,093	665,522	-
Capital assets, net	81,544,413	47,086,534	128,630,947	-
Total noncurrent assets	<u>\$ 91,156,764</u>	<u>\$ 47,099,627</u>	<u>\$ 138,256,391</u>	<u>\$ 453,559</u>
Total assets	<u>\$ 107,314,279</u>	<u>\$ 52,211,118</u>	<u>\$ 159,525,397</u>	<u>\$ 9,279,267</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payable from restricted assets:				
Accounts payable	\$ 536	\$ 12,679	\$ 13,215	\$ -
Accrued interest payable	2,161,690	-	2,161,690	-
Other current liabilities:				
Accounts payable	142,458	482,548	625,006	31,067
Accrued wages and benefits	57,708	30,997	88,705	-
Accrued interest payable	4,491,708	107,930	4,599,638	-
Compensated absences payable	58,324	38,882	97,206	-
Claims payable	-	-	-	1,162,460
Deferred revenue	218,006	35,989	253,995	400,093
Bonds payable, net of discounts	1,613,558	1,015,873	2,629,431	-
Total current liabilities	<u>\$ 8,743,988</u>	<u>\$ 1,724,898</u>	<u>\$ 10,468,886</u>	<u>\$ 1,593,620</u>
Noncurrent liabilities:				
Deposits payable	473,184	7,065	480,249	-
Interfund payable	285,637	444,648	730,285	-
Compensated absences payable	90,025	60,018	150,043	-
Claims payable	-	-	-	727,519
Bonds payable, net of discounts	49,735,519	16,789,292	66,524,811	-
Total noncurrent liabilities	<u>\$ 50,584,365</u>	<u>\$ 17,301,023</u>	<u>\$ 67,885,388</u>	<u>\$ 727,519</u>
Total liabilities	<u>\$ 59,328,353</u>	<u>\$ 19,025,921</u>	<u>\$ 78,354,274</u>	<u>\$ 2,321,139</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 30,195,336	\$ 29,281,369	\$ 59,476,705	\$ -
Restricted for:				
Renewal and replacement	1,457,032	958,809	2,415,841	-
Debt service	4,870,741	-	4,870,741	-
Rate stabilization	4,089,184	-	4,089,184	-
Unrestricted	7,373,633	2,945,019	10,318,652	6,958,128
Total net assets	<u>\$ 47,985,926</u>	<u>\$ 33,185,197</u>	<u>\$ 81,171,123</u>	<u>\$ 6,958,128</u>

See accompanying notes to basic financial statements.



COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2003

Exhibit VI

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	
Operating revenues				
Charges for services	\$ 11,293,731	\$ 5,552,039	\$ 16,845,770	\$ 5,867,649
Miscellaneous	-	-	-	54,205
Total operating revenues	<u>\$ 11,293,731</u>	<u>\$ 5,552,039</u>	<u>\$ 16,845,770</u>	<u>\$ 5,921,854</u>
Operating expenses				
Purchased services	141,773	1,772,671	1,914,444	429,740
Personal services	2,004,565	1,322,174	3,326,739	124,470
Maintenance	1,822,465	503,844	2,326,309	-
Utility billing	99,175	66,117	165,292	-
Sewer system rehabilitation	-	133,424	133,424	-
Claims	-	-	-	4,125,189
Administrative charges	179,876	72,339	252,215	55,028
Depreciation	2,591,026	892,107	3,483,133	-
Total operating expenses	<u>\$ 6,838,880</u>	<u>\$ 4,762,676</u>	<u>\$ 11,601,556</u>	<u>\$ 4,734,427</u>
Operating income	<u>\$ 4,454,851</u>	<u>\$ 789,363</u>	<u>\$ 5,244,214</u>	<u>\$ 1,187,427</u>
Nonoperating revenues (expenses)				
Investment income	\$ 684,021	\$ 94,007	\$ 778,028	\$ 84,951
Interest expense	(3,256,336)	(821,567)	(4,077,903)	-
Gain on sale of capital assets	49,900	9,200	59,100	-
Other nonoperating revenues	9,973	-	9,973	-
Other nonoperating expenses	(266,463)	(4,788)	(271,251)	-
Total nonoperating revenues (expenses)	<u>\$ (2,778,905)</u>	<u>\$ (723,148)</u>	<u>\$ (3,502,053)</u>	<u>\$ 84,951</u>
Income before capital contributions and transfers	1,675,946	66,215	1,742,161	1,272,378
Capital contributions	351,741	403,224	754,965	-
Transfers in	-	-	-	421,952
Change in net assets	<u>\$ 2,027,687</u>	<u>\$ 469,439</u>	<u>\$ 2,497,126</u>	<u>\$ 1,694,330</u>
Total net assets at beginning of year	45,958,239	32,715,758	78,673,997	5,263,798
Total net assets at end of year	<u>\$ 47,985,926</u>	<u>\$ 33,185,197</u>	<u>\$ 81,171,123</u>	<u>\$ 6,958,128</u>

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2003

Exhibit VII

	Enterprise Funds			Internal Service Funds
	Water Fund	Sewer Fund	Total	Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 11,676,915	\$ 5,576,991	\$ 17,253,906	\$ -
Cash received from interfund services provided	-	-	-	5,867,649
Payments to suppliers	(2,055,486)	(2,031,474)	(4,086,960)	(494,862)
Payments to employees	(1,982,803)	(1,309,748)	(3,292,551)	(126,659)
Cash paid for interfund services provided	(179,876)	(72,339)	(252,215)	-
Claims paid	-	-	-	(4,956,995)
Other receipts	-	-	-	(143)
Net cash provided by operating activities	\$ 7,458,750	\$ 2,163,430	\$ 9,622,180	\$ 288,990
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Rents and concessions	\$ 9,973	\$ -	\$ 9,973	\$ -
Transfers from other funds	-	-	-	421,952
Interfund loans-proceeds and collections	-	-	-	575,227
Net cash provided by noncapital financing activities	\$ 9,973	\$ -	\$ 9,973	\$ 997,179
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	\$ 489,318	\$ 1,792,013	\$ 2,281,331	\$ -
Loan from general fund for construction of capital assets	67,080	-	67,080	-
Purchases and construction of capital assets	(1,521,718)	(355,986)	(1,877,704)	-
Proceeds from sale of capital assets	49,900	9,200	59,100	-
Principal paid on capital debt	(1,960,507)	(2,657,609)	(4,618,116)	-
Interest paid on capital debt	(3,427,114)	(827,979)	(4,255,093)	-
Increase in restricted assets	(63,613)	-	(63,613)	-
Net cash used in capital and related financing activities	\$ (6,366,654)	\$ (2,040,361)	\$ (8,407,015)	\$ -
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on restricted assets	\$ 499,522	\$ -	\$ 499,522	\$ -
Interest and dividends	202,570	100,857	303,427	84,951
Net cash provided by investing activities	\$ 702,092	\$ 100,857	\$ 802,949	\$ 84,951
Net increase in cash and cash equivalents	1,804,161	223,926	2,028,087	1,371,120
Cash and cash equivalents at beginning of the year	9,632,459	4,316,864	13,949,323	6,976,823
Cash and cash equivalents at end of the year (including \$1,452,413 and \$971,488 for the Water and Sewer funds, respectively, reported in restricted accounts)	\$ 11,436,620	\$ 4,540,790	\$ 15,977,410	\$ 8,347,943
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 4,454,851	\$ 789,363	\$ 5,244,214	\$ 1,187,427
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,591,026	892,107	3,483,133	-
Change in assets and liabilities:				
Accounts receivable	69,210	34,070	103,280	(60,927)
Due from other governments	387,047	-	387,047	-
Inventories	(42,683)	(28,455)	(71,138)	-
Accounts payable	50,610	473,037	523,647	16,466
Accrued wages and benefits	13,095	6,648	19,743	(2,189)
Claims payable	-	-	-	(858,366)
Deferred revenue	(76,235)	(9,268)	(85,503)	6,579
Deposits payable	3,162	150	3,312	-
Compensated absences payable	8,667	5,778	14,445	-
Net cash provided by operating activities	\$ 7,458,750	\$ 2,163,430	\$ 9,622,180	\$ 288,990

Noncash capital and related financing and investing activities:

The water and sewer funds received contributed assets during fiscal year 2003 valued at \$351,741 and \$403,224, respectively.

See accompanying notes to basic financial statements.

COUNTY OF ROANOKE, VIRGINIA  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2003

Exhibit VIII

	<u><b>Agency Funds</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,602,768
Investments	<u>2,075,292</u>
Total assets	<u><u>\$ 24,678,060</u></u>
 <b>LIABILITIES</b>	
Accounts payable	<u>\$ 24,678,060</u>
Total liabilities	<u><u>\$ 24,678,060</u></u>

See accompanying notes to basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2003**

**(1) Summary of Significant Accounting Policies**

**Financial Reporting Entity**

Formed in 1838, Roanoke County, (the "County"), is a county government within the Commonwealth of Virginia. The County is a municipal corporation governed by an elected five-member board that appoints a County Administrator. There are also five elected Constitutional Officers who are independent of the Roanoke County Government by law and serve as Clerk of the Circuit Court, Commissioner of the Revenue, Commonwealth Attorney, Sheriff and Treasurer. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the County of Roanoke (the primary government) and its component unit (Roanoke County Public Schools), an entity for which the government is considered to be financially accountable. The County's component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

**Discretely Presented Component Unit**

Discretely presented component units are entities that are legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete. The Roanoke County Public Schools' Board (School Board) is responsible for elementary and secondary education within the government's jurisdiction. The members of the School Board are elected by the citizens of Roanoke County. However, the Roanoke County Public School System (School System) is fiscally dependent upon the government because the primary government's Board approves the School System budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School System component unit is presented in a separate column to emphasize that it is legally separate from the primary government. The School System has issued separate financial statements beginning in the fiscal year ended June 30, 2001. Complete financial statements may be obtained by writing the Roanoke County Public School Budget and Finance Office, 5937 Cove Road, Roanoke, VA 24018 or visit their website at [www.rcs.k12.va.us](http://www.rcs.k12.va.us).

**Related Organizations**

As the custodian of public funds, the Treasurer invests all public monies held on deposit with the County. In the case of the separate agencies listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activities of the following organizations are presented as agency funds within the County's financial statements:

- Roanoke Valley Resource Authority
- Commonwealth Fund
- Special Welfare Fund
- Cable TV
- Industrial Development Authority
- Roanoke Valley Greenway Commission
- Virginia Recreational Facilities Authority
- Regional Fire Training Center

The accompanying basic financial statements of the County of Roanoke, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies and reporting practices of the County:

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*, as amended was implemented July 1, 2001 and represented a significant change in the financial reporting model used by state and local governments. It established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following:

#### **Management's Discussion and Analysis**

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

#### **Government-wide Financial Statements**

The reporting model includes financial statements prepared using full accrual accounting for all the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

#### **Statement of Net Assets**

The statement of net assets is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, net of accumulated depreciation, in the government-wide statement of net assets and report depreciation expense in the statement of activities. The net assets of a government are broken down into three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

#### **Statement of Activities**

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each government function. The expense of individual functions is compared to the revenues generated directly by the function.

#### **Reconciliation of Government-wide and Fund Financial Statements**

A summary reconciliation of the difference between the total governmental fund balances and total net assets for governmental activities as shown in the government-wide statement of net assets is presented in an accompanying reconciliation to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation differences stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the

government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net changes in governmental fund balances and change in net assets for governmental activities as shown on the government-wide statement of activities is presented in a reconciliation to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation differences stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

#### **Budgetary comparison schedules**

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. The County and many other governments revise their original budgets over the course of the year for a variety of reasons. The County will continue to provide budgetary comparison information in their annual reports which includes a comparison of the original budget to both the final budget and actual results.

#### **Basis of Presentation**

***Government-wide Financial Statements:*** The statement of net assets and the statement of activities display information about the County as a whole, except for fiduciary funds. These statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges for services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County. The County does not allocate indirect expenses.

***Fund Financial Statements:*** Financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein. Fund financial statements are designed to present financial information of the County at this more detailed level. The emphasis of

fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The following is a brief description of the specific funds used by the County:

- **Governmental Funds** – These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The individual governmental funds are:
  - General Fund – This fund accounts for all revenues and expenditures applicable to the general operations of the County that are not required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Roanoke County Public Schools.
  - Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and other related costs. The Debt Service Fund is considered a major fund for reporting purposes.
  - Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the proprietary fund. The Capital Projects Fund is considered a major fund for reporting purposes.
- **Proprietary Funds** – Proprietary funds are used for operations that are financed in a manner similar to a private business enterprise. The measurement focus is based on determination of operating income, changes in net assets, financial position and cash flows. Operating revenues include charges for services. Operating expenses include cost of services. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. With respect to business-type and enterprise fund activities, the County has adopted Statement 20 of the Governmental Accounting Standards Board (GASB), *Accounting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The County has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.
  - Enterprise Fund – This fund type comprised of the Water Fund which is used to account for water service and the Sewer Fund which is used to account for sewer service. They are included in the business-type activities for government-wide reporting purposes.

- Internal Service Fund – This fund type accounts for employee health, dental, and workers' compensation coverage provided to other departments on a cost-reimbursement basis. The internal service funds derive their funding from charges assessed to the user departments and employees. They are included in the governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The excess revenue or expenses for these funds is allocated to the appropriate functional activity.
- **Fiduciary Funds** – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds. Agency funds are custodial in nature and do not involve measurement of results of operation. Fiduciary funds are not included in the government-wide statements.

## **Basis of Accounting**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements.

*Government-wide, Proprietary Fund, and Fiduciary Fund Financial Statements.* The government-wide, and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Revenues: Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within thirty days of fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See note 2). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or



the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**Deferred Revenue-** Deferred revenue arises when assets are recognized before revenue recognition criteria can be satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003 but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. In governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Cash and Cash Equivalents** – The County considers cash and cash equivalents in proprietary funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent. For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with maturities of 90 days or less. For purposes of the statement of cash flows, cash includes unrestricted cash and cash equivalents and restricted cash. Restricted cash equivalents are defined differently and are not considered available for operations, and therefore not considered to be cash equivalents for the statement of cash flows. Note 4 provides a detailed disclosure regarding cash equivalents and investments held by the County.

**Investments** – Cash received by the County is deposited in various bank accounts. Monies which are legally required to be maintained individually, such as trusts balances and contractor escrows, are deposited and maintained in individual segregated bank accounts. All other monies of the County are deposited in a pool of bank accounts and are used to purchase investments that are specifically allocated to the appropriate funds. Interest earned on pooled investments is accrued as earned and distributed to the General Fund and other qualifying funds utilizing a formula based on the average month end balance of cash and cash equivalents of all pooled funds. Short-term investments are stated at cost (which approximates market) and consist of repurchase agreements, commercial paper, bankers' acceptances, and U.S. government securities. Investments are stated at fair value with any net appreciation or depreciation in fair value reflected as investment income in the operating statement. Investments consist of long-term investments in U.S. government securities and corporate notes. Each fund whose monies are deposited in the pooled accounts has an equity interest therein. Interest earned is allocated based on average monthly balance. Note 4 provides a detailed disclosure regarding cash equivalents and investments held by the County.

The County requires all banking institutions holding its public funds to protect such funds in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedures for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

**Restricted Assets** – Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside, are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments.

Restricted assets of the County's Water fund consist of certain trust accounts required to be maintained by bond covenants which include a bond interest account, debt service reserve account and rate stabilization account. The bond interest account is used to segregate resources accumulated for debt service payments over the next twelve months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the bond interest account. The rate stabilization account is used to report resources set aside to subsidize potential deficiencies from the Water Fund's operation that could adversely affect debt service payments. These assets are held by a trustee financial institution in separate accounts and consist of cash equivalents and long-term investments in U.S. government securities. These long-term investments are recorded at fair value with any net appreciation or depreciation in fair value reflected as a component of investment income.

Restricted assets also consist of cash and cash equivalents held by the County for renewal and replacement projects in the Water Fund and Sewer Fund. The County's Board of Supervisors appropriates these resources for specific renewal and replacement projects. The rates of the Water Fund and Sewer Fund are regulated by the County's Board of Supervisors and are designed to recover the cost of providing water and sewer services. Thus, FASB Statement 71 allows for enabling legislation to also include restrictions on asset use established by a governmental utility's own governing board.

**Receivables** – Local taxes and governmental fund accounts receivable are recorded in the County's accounts as both receivables and deferred revenue when billed. Property taxes paid in advance are recorded as deferred revenue until such time as the taxes become due.

**Inventories** – Inventories of consumable supplies are recorded at cost on a first-in first-out (FIFO) method and are considered as expenditures when purchased. However, significant accumulations of inventory are reported as an asset (purchases method). Reported inventories in the General Fund are equally offset by a reservation of fund balance.

**Capital Assets** – Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least three years. Major additions, including those that significantly prolong a fixed asset's economic life or expand usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenditures and are not capitalized. Depreciation expense for capital assets is identified with a function, whenever possible, and is included as a direct expense.

All capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. Upon the sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40-50 years
Building Improvements	10-25 years
Furniture, Fixtures, and Equipment	3-25 years

Capital assets of the proprietary fund are stated on the basis of historical cost or estimated historical cost. Donated fixed assets are recorded at fair market value at the time of donation. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed. Expenditures for repairs and maintenance are charged to expense as incurred, while renewals and replacements are capitalized. Provisions for depreciation are computed by the straight-line method at rates sufficient to amortize costs over estimated useful lives as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Systems	40 years
Furniture, Fixtures, and Equipment	5-10 years
Utility Plant	40-60 years

**Pension Plan** – The County’s policy is to fund pension costs, which include both normal costs and amortization of prior service costs, on an annual basis in accordance with actuarially determined amounts.

**Temporary Literary Loan Proceeds** – The County receives draw downs from the Commonwealth of Virginia from approved Literary Loans. These loans are accounted for as short-term borrowings until the entire proceeds have been received by the County at which time the repayment schedules are finalized and the amounts established as long-term debt.

**Self Insurance** – The County is self-insured for workers’ compensation, health insurance, general liability and automobile liability. Estimates for accrued liability in each program at the end of the year have been recorded.

**Compensated Absences** – The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated vacation and sick leave balances. The liability is based on the sick leave and the vacation leave accumulated at June 30. Limited vacation and sick leave may be accumulated until retirement or termination. Accumulated sick leave is paid at a fixed daily rate and accumulated vacation is paid at the employee’s current wage upon retirement or termination.

**Long-term Obligations** – Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities in the statement of net assets in the government-wide financial statements and proprietary fund types in the fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization which approximates the effective interest method.

**Operating Revenues and Expenses** – Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for water distribution and wastewater treatment. Operating expenses are necessary costs incurred to provide the good or service that is the

primary activity of the fund. Revenues which do not meet this criteria are considered non-operating and reported as such. All revenue of the Water Fund and Sewer Fund are used as security for revenue bonds issued.

***Interfund Transactions*** – On fund financial statements, receivables and payables resulting from interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

***Allowance for Doubtful Receivables*** – Historically, uncollectible accounts receivable in proprietary fund types has been immaterial. The direct write-off method is used to recognize uncollectible proprietary fund accounts receivable.

***Encumbrances*** – The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and reappropriation is required by the County Board of Supervisors with the exception of capital fund project encumbrances.

***Net Assets*** – Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation and related debt. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***Fund Balance*** – Except for those required to comply with accounting standards, all reservations and designations of Governmental Fund balances reflect County Board of Supervisor’s action in the context of adoption of the County’s budget.

***Use of Estimates*** – Management of the County has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

## **(2) Property Taxes**

Property taxes are levied annually in April on assessed values as of January 1. In addition, personal property transactions during the year are taxed on a prorated basis. Real estate tax is payable in two equal installments on or before December 5 and June 5, and personal property tax is due on or before May 31, or within 30 days subsequent to assessment. After three years, real estate taxes become an enforceable lien on the property. Personal property taxes do not create a lien on property; however, County vehicle decals may not be issued to any individuals having outstanding personal property taxes. The County bills and collects both real estate and personal property taxes. The County recognizes tax revenue

when levied to the extent that they are collected during the fiscal year and within 30 days after year-end.

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the Internal Revenue Code Section 6621 (b). The effective tax rates per \$100 of assessed value for the year ended June 30, 2003 were as follows:

Real Estate	\$1.12
Personal Property	3.50
Machinery and Tools	3.00

### **(3) Fund Balances**

In the fund financial statements, fund balances of governmental funds have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

#### **Reserved Fund Balance**

- *Inventories* – This amount represents inventories reported in the general fund.
- *Encumbrances* – This amount reflects a reserve for goods and services encumbered, or ordered, prior to the end of the fiscal year, for which delivery of goods and services had not been made prior to the close of the fiscal year.

#### **Unreserved Fund Balance**

- *Fund Balances – Designated* – This amount represents tentative plans for financial resources in a future period.
- *Fund Balances – Undesignated* – This amount represents the remainder of the County's fund balances in governmental funds.

### **(4) Deposits and Investments**

*Deposits* – At June 30, 2003, the carrying value of the County of Roanoke's deposits with banks and savings institutions was \$43,522,665 and the bank balance was \$48,038,436. All cash of the County of Roanoke is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. The carrying amount of deposits for the School System, a discretely presented component unit, was \$10,560,557 and the bank balance was \$11,473,580. The entire balance is covered by Federal deposit insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

*Investments* – Statutes authorize the County of Roanoke to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The County participates in the Local Government Investment Pool (LGIP) whose fair value is the same as the value of the pool shares. The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight for the pool.

The County of Roanoke's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer bank's trust department or safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent, but not in the County's name.

Investments in the LGIP are not subject to categorization as to assumed risk because in the aggregate they are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form.

At June 30, 2003, the County's deposit and investment balances were as follows:

	Category			Fair Value
	1	2	3	
Commercial Paper	\$ 8,649,323	\$ -	\$ -	\$ 8,649,323
Bankers' Acceptances	597,437	-	-	597,437
U.S. Government Securities	35,846,830	-	-	35,846,830
Corporate Notes	1,679,527	-	-	1,679,527
Total	<u>\$ 46,773,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>46,773,117</u>
Investments Not Subject to Categorization:				
Investments in LGIP				<u>7,491,511</u>
Total Investments				<u>54,264,628</u>
Total Deposits				43,522,665
Cash on Hand				<u>7,860</u>
Total Deposits, Investments, and Cash with fiscal agents and trustees, including restricted assets				<u>\$ 97,795,153</u>

At June 30, 2003, the School System's deposit and investment balances were as follows:

	Category			Fair Value
	1	2	3	
Commercial Paper	\$ 1,748,660	\$ -	\$ -	\$ 1,748,660
Bankers' Acceptances	120,786	-	-	120,786
U.S. Government Securities	4,721,744	-	-	4,721,744
Corporate Notes	339,555	-	-	339,555
Total	<u>\$ 6,930,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,930,745</u>
Investments Not Subject to Categorization:				
Investments in LGIP				<u>1,514,582</u>
Total Investments				8,445,327
Total Deposits				10,560,557
Cash on Hand				<u>2,000</u>
Total Deposits, Investments, and Cash with fiscal agents and trustees				<u>\$ 19,007,884</u>

Due to fluctuations in the level of cash flows and rates of return on different investment types during the year, the County's investment total and mix have varied from the amounts shown in the preceding tables at various times during the fiscal year. However, the risk should remain similar.

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2003 is as follows:

	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash and cash equivalents	\$ 17,977,697	\$ 13,553,509	\$ 22,602,768	\$ 54,133,974
Investments	26,670,116	-	2,075,292	28,745,408
Cash and investments with fiscal agents	52,672	-	-	52,672
Restricted cash and cash equivalents	-	2,423,901	-	2,423,901
Restricted cash and cash equivalents with fiscal agent	-	3,710,921	-	3,710,921
Restricted Investments (exclusive of \$28,826 interest receivable)	-	8,728,277	-	8,728,277
Total	<u>\$ 44,700,485</u>	<u>\$ 28,416,608</u>	<u>\$ 24,678,060</u>	<u>\$ 97,795,153</u>
Component Unit-School Board				
Cash and cash equivalents	\$ 12,185,082	\$ -	\$ 1,761,503	\$ 13,946,585
Investments	5,061,299	-	-	5,061,299
Total	<u>\$ 17,246,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,007,884</u>

## **(5) Receivables**

Receivables at June 30, 2003 are as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 492,165	\$ 5,178,709	\$ 3,008,210	\$ 8,679,084
Capital projects	8,708	-	39,286	47,994
Internal service	103,588	-	-	103,588
Total governmental activities	<u>\$ 604,461</u>	<u>\$ 5,178,709</u>	<u>\$ 3,047,496</u>	<u>\$ 8,830,666</u>
Business type activities:				
Water	\$ 1,080,398	\$ -	\$ -	\$ 1,080,398
Sewer	482,438	-	-	482,438
Total business type activities	<u>\$ 1,562,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,562,836</u>

## **(6) Interfund Balances and Transfers**

Interfund balances at June 30, 2003 consisted of the following:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Internal Service	Capital Projects	\$ 827,736
General	Water	285,637
General	Sewer	444,648
Total		<u>\$ 1,558,021</u>

The balance of \$827,736 due to the Internal Service Fund from the Capital Projects Fund is the result of loans made for capital purchases. The balance not scheduled to be collected within the next year is \$453,559.

The balances of \$285,637 and \$444,648 in the Water Fund and Sewer Funds, respectively, which are due to the general fund represent loans to finance local public works projects to extend public water and sewer service to new customers. The balance of these loans will be repaid as new customers connect to the public water sewer in those service areas. It is not anticipated that the loans will be repaid within the next year.



Interfund transfers for the year ended June 30, 2003 consisted of the following amounts:

Transfer To	Transfer From		Total
	General	Capital Projects	
General fund	\$ -	\$ 566,818	\$ 566,818
Debt service fund	9,247,262	-	9,247,262
Capital projects fund	1,976,071	-	1,976,071
Internal service fund	421,952	-	421,952
Totals	\$ 11,645,285	\$ 566,818	\$ 12,212,103

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### (7) **Payables**

Payables at June 30, 2003 are as follows:

	Vendors	Accrued Wages and Benefits	Accrued Interest	Total
Governmental activities:				
General	\$ 2,072,564	\$ 871,216	\$ 1,617,766	\$ 4,561,546
Internal service	31,067	-	-	31,067
Capital projects	464,895	-	-	464,895
Total governmental activities	<u>\$ 2,568,526</u>	<u>\$ 871,216</u>	<u>\$ 1,617,766</u>	<u>\$ 5,057,508</u>
Business-type activities:				
Water	\$ 142,994	\$ 57,708	\$ 6,653,398	\$ 6,854,100
Sewer	495,227	30,997	107,930	634,154
Total business-type activities	<u>\$ 638,221</u>	<u>\$ 88,705</u>	<u>\$ 6,761,328</u>	<u>\$ 7,488,254</u>

## **(8) Long-Term Liabilities**

The County of Roanoke's outstanding debt consists of General Obligation Bonds, Revenue Bonds, Virginia Public School Authority Bonds, Literary Loans, and capitalized leases. The debt has been issued for both the governmental and business-type activities. Long-term obligations of the business-type activities are recorded as liabilities and are backed by the general credit and faith of the County of Roanoke, except for the 1991 Water Revenue Bond issue which is backed solely by water fund revenues. The issuance of bonds by Virginia counties is not subject to any limitation on amount.

Outstanding long-term liabilities at June 30, 2003 are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$12,116,874 - 1991 Water Revenue Bonds due in annual installments of \$569,065 to \$819,873 through July 1, 2009; interest at 2.5% to 5.1%	-	5,005,943	5,005,943
\$27,410,000 - 2003 General Obligation Refunding Bonds due in annual installments of \$700,000 to \$2,245,000 through June 1, 2021; interest at 2% to 4.5%	25,538,398	2,188,857	27,727,255
\$35,625,000 - 1993A Water Revenue Refunding Bonds due in annual installments of \$175,000 to \$3,445,000 through July 1, 2021; interest at 2.5% to 5.1%	-	29,552,255	29,552,255
\$18,915,000 - 1993B Water Revenue Refunding Bonds due in annual installments of \$315,000 to \$515,000 through July 1, 2026; interest at 2.5% to 5.0%	-	15,542,420	15,542,420
\$13,100,000 - VRA Revolving Sewer Loan due in semi-annual installments of \$253,601 to \$489,306 through December 1, 2018; interest at 4.75%	-	11,293,370	11,293,370
\$5,174,134 - VRA Revolving Sewer Loan due in semi-annual installments of \$111,475 to \$194,213 through March 1, 2020; interest at 3.5%	-	4,783,969	4,783,969
\$178,340 - VRA Revolving Water Loan due in semi-annual installments of \$3,348 to \$6,309 through September 1, 2020; interest at 4%	-	165,719	165,719
\$674,269 - VRA Revolving Water Loan due in semi-annual installments of \$13,739 to \$22,124 through September 1, 2020; interest at 3%	-	621,709	621,709
\$1,760,000 - 1992 Virginia Public School Authority Bonds due in annual installments of \$55,000 to \$100,000 through December 15, 2012; interest at 5.3% to 8.1%	790,000	-	790,000
\$2,310,000 - 1993 Virginia Public School Authority Bonds due in annual installments of \$15,000 to \$130,000 through December 15, 2013; interest at 4.5% to 5.0%	800,000	-	800,000
\$3,650,000 - 1994 Refunding Series A Virginia Public School Authority Bonds due in annual installments of \$85,000 to \$230,000 through December 15, 2007; interest at 6.9% to 7.0%	880,000	-	880,000

## (8) Long Term Liabilities (continued)

	Governmental Activities	Business-type Activities	Total
\$3,200,000 - 1994 Series B Virginia Public School Authority Bonds due in annual installments of \$160,000 through July 15, 2014; interest at 6.1% to 6.6%	1,920,000	-	1,920,000
\$10,100,000 - 1995 Series A Virginia Public School Authority Bonds due in annual installments of \$505,000 through July 15, 2016; interest at 5.4% to 6%	6,565,000	-	6,565,000
\$1,300,000 - 1996 Series B Virginia Public School Authority Bonds due in annual installments of \$65,000 through July 15, 2017; interest at 5.1% to 6.1%	910,000	-	910,000
\$7,965,000 - 1998 Series A Virginia Public School Authority Bonds due in annual installments of \$395,000 to \$400,000 through January 15, 2019; interest at 3.6% to 5.1%	6,365,000	-	6,365,000
\$4,724,924 - 1998 Series B Virginia Public School Authority Bonds due in annual installments of \$232,853 to \$248,659 through January 15, 2020; interest at 3.6% to 5.1%	3,796,035	-	3,796,035
\$6,920,000 - 1999 Series B Virginia Public School Authority Bonds due in annual installments of \$345,000 to \$350,000 through July 15, 2019; interest at 5.1% to 6.1%	5,870,000	-	5,870,000
\$16,500,000 - 2001 Series A Virginia Public School Authority Bonds due in annual installments of \$825,000 through July 15, 2021; interest at 4.1% to 5.6%	15,675,000	-	15,675,000
\$12,968,814 - 2001 Series B Virginia Public School Authority Bonds due in annual installments of \$634,770 to \$683,564 through July 15, 2021; interest at 3.1% to 5.1%	12,573,018	-	12,573,018
\$233,653 - State Literary Loan: East Vinton Elementary due in annual installments of \$12,000 through June 15, 2005; interest at 3.0%	24,000	-	24,000
\$432,059 - State Literary Loan: Mount Pleasant Elementary due in annual installments of \$22,000 through June 15, 2005; interest at 3.0%	44,000	-	44,000
\$467,904 - State Literary Loan: Cave Spring H. S. due in annual installments of \$23,400 through July 15, 2006; interest at 3.0%	93,600	-	93,600
\$561,000 - State Literary Loan: Wm. Byrd H. S. due in annual installments of \$28,050 through February 1, 2008; interest at 3.0%	140,250	-	140,250
\$547,839 - State Literary Loan: Northside H. S. due in annual installments of \$27,500 through February 1, 2008; interest of 3.0%	137,500	-	137,500
\$538,000 - State Literary Loan: Glenvar H. S. due in annual installments of \$26,900 through February 1, 2008; interest at 3.0%	134,500	-	134,500
\$111,076 - State Literary Loan: Northside H. S. due in annual installments of \$5,600 through April 1, 2008; interest at 3.0%	28,000	-	28,000
\$588,344 - State Literary Loan: Northside H. S. due in annual installments of \$30,000 through April 1, 2008; interest at 3.0%	150,000	-	150,000

## (8) Long Term Liabilities (continued)

	Governmental Activities	Business-type Activities	Total
\$1,835,459 - State Literary Loan: Fort Lewis Elementary due in annual installments of \$87,459 to \$92,000 through January 1, 2019; interest at 3.0%	1,467,459	-	1,467,459
\$3,297,989 - State Literary Loan: William Byrd H. S. due in annual installments of \$163,198 to \$164,989 through April 30, 2019; interest at 3.0%	2,638,033	-	2,638,033
\$500,000 - State Literary Loan: Glenvar H. S. due in annual installments of \$25,000 through January 15, 2009; interest at 3.0%	150,000	-	150,000
\$285,500 - State Literary Loan: Masons Cove Elementary due in annual installments of \$14,275 through January 15, 2009; interest at 3.0%	85,650	-	85,650
\$322,427 - State Literary Loan: Glenvar Elementary due in annual installments of \$8,927 to \$16,500 through January 15, 2009; interest at 3.0%	91,427	-	91,427
\$135,136 - State Literary Loan: Glenvar H. S. due in annual installments of \$5,936 to \$6,800 through May 15, 2009; interest at 3.0%	39,936	-	39,936
\$1,229,403 - State Literary Loan: Cave Spring H. S. due in annual installments of \$59,953 to \$61,550 through June 15, 2009; interest at 3.0%	367,703	-	367,703
\$369,137 - State Literary Loan: Cave Spring Elementary due in annual installments of \$8,137 to \$19,000 through June 15, 2009; interest at 3.0%	103,137	-	103,137
\$2,000,000 - State Literary Loan: William Byrd J.H. due in annual installments of \$100,000 through March 15, 2009; interest at 3.0%	600,000	-	600,000
\$333,833 - State Literary Loan: Glenvar Elementary due in annual installments of \$10,833 to \$17,000 through July 15, 2009; interest at 4.0%	112,833	-	112,833
\$12,831 - State Literary Loan: Mason Cove Elementary due in annual installments of \$640 to \$671 through August 15, 2009; interest at 3.0%	4,511	-	4,511
\$1,500,000 - State Literary Loan: Northside High due in annual installments of \$75,000 through September 15, 2017; interest at 3.0%	1,125,000	-	1,125,000
\$2,316,571 - State Literary Loan: Cave Spring J.H. due in annual installments of approximately \$115,828 through April 15, 2020; interest at 3.0%	1,969,087	-	1,969,087
\$2,650,000 - Capitalized lease obligation due in monthly installments of \$20,426 to \$22,614 through June 15, 2016; interest at 5.39% to 6.32%	2,384,194	-	2,384,194
\$2,705,000 - Capitalized lease obligation due in annual installments of \$215,000 to \$290,000 through April 2013; interest at 3.46%	2,515,000	-	2,515,000
\$2,200,000 - Capitalized lease obligation due in annual installments of \$261,096 to \$356,597 through July 15, 2004; interest at 5.4%	572,887	-	572,887

## (8) Long Term Liabilities (continued)

	Governmental Activities	Business-type Activities	Total
\$756,949 - Capitalized lease obligation due in annual installments of \$130,934 through December 1, 2004; interest at 5.1%	242,979	-	242,979
\$2,895,635 - Capitalized lease obligation due in quarterly installments of \$29,157 through June 30, 2004; interest at 5.3% to 5.4%.	116,629	-	116,629
	97,020,766	69,154,242	166,175,008
Accrued Compensated Absences	2,574,753	247,249	2,822,002
Accrued landfill closure and post-closure	200,000	-	200,000
Claims Payable	1,889,979	-	1,889,979
	<u>101,685,498</u>	<u>69,401,491</u>	<u>169,197,010</u>

Changes in long-term liabilities for the year-ended June 30, 2003 were as follows:

	Outstanding June 30, 2002	Additions	Deletions	Outstanding June 30, 2003	Amounts Due Within One Year
<b>Primary Government</b>					
Governmental Activities					
General Obligation Bonds 1991 & 1993	\$ 25,860,000	\$ -	\$ 25,860,000	\$ -	\$ -
General Obligation Bonds 2003	-	25,838,398	300,000	25,538,398	1,656,981
Virginia Public School Authority					
School bonds	59,864,797	-	3,720,744	56,144,053	3,645,484
State literary loans	10,390,658	-	884,032	9,506,626	884,032
Capitalized lease obligations	7,074,153	2,705,000	3,947,464	5,831,689	914,857
	<u>103,189,608</u>	<u>28,543,398</u>	<u>34,712,240</u>	<u>97,020,766</u>	<u>7,101,354</u>
Accrued compensated absences	2,565,963	1,464,328	1,455,538	2,574,753	1,062,489
Accrued landfill closure and post-closure	250,000	-	50,000	200,000	-
Claims Payable	2,748,345	3,817,946	4,676,312	1,889,979	1,162,460
	<u>\$ 108,753,916</u>	<u>\$ 33,825,672</u>	<u>\$ 40,894,090</u>	<u>\$ 101,685,498</u>	<u>\$ 9,326,303</u>
<b>Business-Type Activities</b>					
General Obligation Bonds 1993	\$ 2,463,334	\$ -	\$ 2,463,334	\$ -	\$ -
General Obligation Bonds 2003	-	2,203,857	15,000	2,188,857	362,589
Revenue Bonds Water 1991, 1993A, 1993B	51,206,605	-	1,105,987	50,100,618	1,502,517
VRA Revolving Water & Sewer	17,542,416	54,747	732,396	16,864,767	764,325
	<u>71,212,355</u>	<u>2,258,604</u>	<u>4,316,717</u>	<u>69,154,242</u>	<u>2,629,431</u>
Accrued compensated absences	232,804	140,774	126,329	247,249	97,206
	<u>\$ 71,445,159</u>	<u>\$ 2,399,378</u>	<u>\$ 4,443,046</u>	<u>\$ 69,401,491</u>	<u>\$ 2,726,637</u>
<b>Component Unit</b>					
School Board					
Accrued compensated absences	\$ 1,905,944	\$ 1,414,902	\$ 1,710,304	\$ 1,610,542	\$ 595,801
	<u>\$ 1,905,944</u>	<u>\$ 1,414,902</u>	<u>\$ 1,710,304</u>	<u>\$ 1,610,542</u>	<u>\$ 595,801</u>

The Debt Service Fund is used to liquidate most long-term liabilities of governmental activities as shown above. However, a portion of compensated absences is liquidated by the general fund.

Bond proceeds from the 1991 Water System Revenue Bonds and the 1991 General Obligation Water System Bonds were used to finance construction of the new water system. The bonds are governed by a number of general covenants relating to qualified expenditures, debt service requirements and other restrictions on assets, which have been complied with through June 30, 2003.

Loan proceeds from the VRA Revolving Sewer loans were used to finance the County's share of the construction of the Regional Sewage Treatment Plant. The loans are governed by a number of general covenants related to debt service requirements and other restrictions which have been complied with through June 30, 2003.

The restricted assets at June 30, 2003 consist of the following:

Cash and Cash Equivalents with fiscal agents	\$ 3,710,921 *
Investments	<u>8,757,103</u>
	<u><u>\$ 12,468,024</u></u>

\*These assets are all held by the trustee in the County's name and are classified as Category 1.

### Legal Debt Margin

The County measures its level of debt through three ratios:

	<u>June 30, 2003</u>	<u>Debt Policy Limit</u>
Net Debt Per Capita - excluding business-type funds	\$ 1,040	\$ 1,500
Net Debt to Assessments - should not exceed 3%	1%	3%
Debt Service to General Fund Expenditures	5%	10%



The annual requirements to amortize governmental activities debt outstanding as of June 30, 2003 are as follows:

	General Obligation		Virginia Public		Literary		Capitalized		Total Governmental	
	Serial Bonds		School Authority Bonds		Loans		Leases		Debt	
Fiscal										
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003-2004	\$ 1,656,980	\$ 900,453	\$ 3,645,485	\$ 2,801,401	\$ 884,032	\$ 286,327	\$ 914,854	\$ 267,166	\$ 7,101,351	\$ 4,255,347
2004-2005	1,686,981	868,253	3,687,500	2,619,189	884,032	259,636	745,654	222,327	7,004,167	3,969,405
2005-2006	1,766,981	802,653	3,551,013	2,436,558	850,032	232,945	388,210	184,956	6,556,236	3,657,112
2006-2007	1,801,981	768,253	3,459,464	2,260,094	850,032	207,274	403,504	166,704	6,514,981	3,402,325
2007-2008	1,866,981	711,615	3,427,849	2,087,695	826,632	181,603	424,467	147,610	6,545,929	3,128,523
2008-2013	10,134,904	2,626,156	16,474,896	7,823,391	2,490,457	618,002	2,277,444	457,905	31,377,701	11,525,454
2013-2018	3,900,043	1,042,988	14,488,211	3,641,661	2,239,085	273,866	677,556	57,773	21,304,895	5,016,288
2018-2023	2,723,547	232,988	7,409,635	639,491	482,324	17,945	-	-	10,615,506	890,424
Total	\$ 25,538,398	\$ 7,953,359	\$ 56,144,053	\$ 24,309,480	\$ 9,506,626	\$ 2,077,598	\$ 5,831,689	\$ 1,504,441	\$ 97,020,766	\$ 35,844,878

2 The annual requirements to amortize business-type activities debt outstanding as of June 30, 2003 are as follows:

	Business-Type		Business-Type		Total Business-Type	
	GO Bonds Debt		Revenue Bonds Debt and Loans		Debt	
Fiscal						
Year	Principal	Interest	Principal	Interest	Principal	Interest
2003-2004	\$ 351,477	\$ 61,288	\$ 1,821,002	\$ 4,160,985	\$ 2,172,479	\$ 4,222,273
2004-2005	356,477	54,188	1,817,816	4,169,181	2,174,293	4,223,369
2005-2006	361,476	39,788	1,808,953	4,171,483	2,170,429	4,211,271
2006-2007	366,476	32,488	1,814,483	4,168,228	2,180,959	4,200,716
2007-2008	371,476	20,925	1,829,429	4,153,902	2,200,905	4,174,827
2008-2013	381,475	11,550	13,709,197	16,209,598	14,090,672	16,221,148
2013-2018	-	-	20,448,714	9,457,626	20,448,714	9,457,626
2018-2023	-	-	17,322,547	4,147,705	17,322,547	4,147,705
2023-2028	-	-	6,393,244	727,000	6,393,244	727,000
Total	\$ 2,188,857	\$ 220,227	\$ 66,965,385	\$ 51,365,708	\$ 69,154,242	\$ 51,585,935

**(8) Long – Term Liabilities (continued)**

Advanced Refunding – On March 6, 2003, the County of Roanoke issued \$27,410,000 in General Obligation Bonds (Series 2003 dated February 15, 2003) with an effective interest rate of 3.586% (stated interest rates of 2% to 5%). The bond proceeds of \$27,410,000 were used to advance refund \$26,760,000 of outstanding bonds as follows:

• 1993 General Obligation Public Improvement Bonds	\$25,585,000
• 1991 Series General Obligation Water System Bonds	<u>1,175,000</u>
	\$26,760,000

The net proceeds of \$27,914,352 (after bond premium of \$711,123 and payment of \$205,072 in underwriter fees and other issuance costs) were deposited with the County's escrow agent, SunTrust Bank. The escrow agent applied the proceeds to purchase U.S. government securities. Those securities and the interest earned thereon provided for all debt service on the refunded bonds listed above. The escrow payment refunding the 1993 and 1991 general obligation bonds was made June 1, 2003.

The County advance refunded the bonds to reduce its total debt service payments over the next 19 years by \$3,098,412. In the general fund the refunding resulted in a decrease to total debt service of \$2,964,802 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,174,703.

For the proprietary funds, the advance refunding resulted in the recognition of an accounting loss of \$78,868 for the year ended June 30, 2003. The refunding decreased its aggregate debt service payments by \$133,610 over the next 6 years and obtained an economic gain of \$192,127.

Advanced Refunding – On December 20, 2003 the Industrial Development Authority of Roanoke County issued \$2,705,000 in Lease Revenue Refunding Bonds (Series 2002 dated December 20, 2003) with an effective interest rate of 3.46% (stated interest rates of 3.46%). The bond proceeds of \$2,705,000 were used to advance refund \$2,910,000 of outstanding bonds as follows:

• 1993 Lease Revenue Bonds	\$2,910,000
----------------------------	-------------

The net proceeds of \$2,668,478 (after payment of \$36,522 in underwriter fees and other issuance costs) were deposited with the County's escrow agent, SunTrust Bank. The escrow agent applied the proceeds to purchase U.S. government securities. Those securities and the interest earned thereon provided for all debt service on the refunded bond listed above. The escrow payment refunding the 1993 lease revenue bond was made April 15, 2003, and as a result, the liability for the bond has been removed.

The County advance refunded the bonds to reduce its total debt service payments over the next 10 years by \$650,128. In the general fund the refunding resulted in a decrease to total debt service of \$650,128 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$547,846.



## (9) Capital Assets

In accordance with the implementation of GASB Statement Number 34, all school related debt is reported in the CAFR of the primary government as the County is legally responsible for debt repayment. All capital assets related to this debt which have tenancy in common have been reported on the County CAFR.

As of June 30, 2003 the primary government capital assets include \$74,675,410, net of accumulated depreciation, of Roanoke County Public School Component Unit capital assets used for educational purposes which have tenancy in common.

Primary governmental capital asset activity for the year ended June 30, 2003 was as follows:

### **Governmental Activities**

	Balance			Balance
	June 30, 2002	Additions	Reductions	June 30, 2003
Capital assets not being depreciated:				
Land	\$ 8,951,196	\$ 722,094	\$ -	\$ 9,673,290
Construction in progress	32,695,414	7,176,481	(37,909,365)	1,962,530
Total capital assets at historical cost not being depreciated	41,646,610	7,898,575	(37,909,365)	11,635,820
Capital assets being depreciated:				
Building and improvements	80,978,287	35,032,762	-	116,011,049
Furniture, fixtures, and equipment	25,991,252	1,920,105	(915,964)	26,995,393
Total capital assets at historical cost being depreciated	106,969,539	36,952,867	(915,964)	143,006,442
Less accumulated depreciation:				
Buildings and improvements	(17,921,405)	(2,895,665)	-	(20,817,070)
Furniture, fixtures, and equipment	(18,721,840)	(2,199,198)	915,964	(20,005,074)
Total accumulated depreciation	(36,643,245)	(5,094,863)	915,964	(40,822,144)
Total capital assets, being depreciated, net	70,326,294	31,858,004	-	102,184,298
Governmental activities capital assets, net	\$ 111,972,904	\$ 39,756,579	\$ (37,909,365)	\$ 113,820,118

## Business-Type Activities

	Balance			Balance
	June 30, 2002	Additions	Reductions	June 30, 2003
Capital assets not being depreciated:				
Land	\$ 1,035,741	\$ -	\$ -	\$ 1,035,741
Construction in progress	27,807,482	1,923,543	(2,133,337)	27,597,688
Total capital assets at historical cost not being depreciated	28,843,223	1,923,543	(2,133,337)	28,633,429
Capital assets being depreciated:				
Buildings and systems	131,873,468	2,888,301	-	134,761,769
Furniture, fixtures, and equipment	3,201,414	121,026	(87,225)	3,235,215
Total capital assets at historical cost being depreciated	135,074,882	3,009,327	(87,225)	137,996,984
Less accumulated depreciation:				
Buildings and systems	(32,093,358)	(3,247,315)	-	(35,340,673)
Furniture, fixtures, and equipment	(2,510,200)	(235,818)	87,225	(2,658,793)
Total accumulated depreciation	(34,603,558)	(3,483,133)	87,225	(37,999,466)
Total capital assets, being depreciated, net	100,471,324	(473,806)	-	99,997,518
Business-type activities capital assets, net	\$ 129,314,547	\$ 1,449,737	\$ (2,133,337)	\$ 128,630,947

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental Activities:

General government	\$ 238,730
Judicial administration	33,888
Public safety	2,105,307
Public works	407,183
Health and welfare	118,886
Parks, recreational and cultural	418,799
Library	229,912
Community development	27,855
Education	1,514,303
Total depreciation expense - governmental activities	<u>\$5,094,863</u>

### Business-Type Activities:

Water	\$2,591,026
Sewer	892,107
Total depreciation expense - business-type activities	<u>\$3,483,133</u>

Component unit's capital asset activity for the year ended June 30, 2003 was as follows:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 5,137,412	\$ -	\$ -	\$ 5,137,412
Construction in progress	862,740	1,285,156	(896,439)	1,251,457
Total capital assets at historical cost not being depreciated	6,000,152	1,285,156	(896,439)	6,388,869
Capital assets being depreciated:				
Building and improvements	47,877,287	37,439	-	47,914,726
Furniture, fixtures and equipment	13,077,345	1,638,628	(874,217)	13,841,756
Total capital assets at historical cost being depreciated	60,954,632	1,676,067	(874,217)	61,756,482
Less accumulated depreciation:				
Buildings and improvements	(26,953,481)	(1,146,225)	-	(28,099,706)
Furniture, fixtures and equipment	(8,638,294)	(1,054,693)	874,217	(8,818,770)
Total accumulated depreciation	(35,591,775)	(2,200,918)	874,217	(36,918,476)
Total capital assets, being depreciated, net	25,362,857	(524,851)	-	24,838,006
Component unit activities capital assets, net	\$ 31,363,009	\$ 760,305	\$ (896,439)	\$ 31,226,875

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 6,942,077
Depreciation expense	(5,094,863)
Total adjustments	<u>\$ 1,847,214</u>

#### (10) Risk Management

The County of Roanoke is self-insured for workers' compensation, health insurance, general liability and automobile liability as follows:

*Workers' Compensation* – The County established a self-insured Workers' Compensation program July 1, 1986. On July 1, 1990, the School System also implemented a self-insured Workers' Compensation program. Premiums are paid into the Internal Service Fund and the Component Unit Internal Service Fund by all other funds and are available to pay claims, claims reserves and administrative costs of the programs. An excess coverage insurance policy covers each accident in excess of \$250,000 for the County and \$250,000 for the School System, with limits of \$5,000,000 per occurrence. At fiscal year-end 2003, the County and the School System have accrued liabilities of \$1,056,047 and \$133,406, respectively, based primarily upon an estimate by a qualified claims adjuster with a third party administrator. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

*Health Insurance* – The County established a self-insured health insurance program July 1, 1988. On July 1, 1990, the School System also implemented a self-insured health insurance program. Monthly contributions are paid into the Internal Service fund and the Component Unit Internal Service fund from the County and School System funds and the County and School System employees based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. An excess coverage insurance policy covers each individual's pooled claims in excess of \$75,000. At year-end, incurred but not yet reported claims for the County and School System are estimated to be \$788,672 and \$1,546,616, respectively. Interfund premiums are based upon the employees within that fund that are enrolled in the plan.

*General Liability and Automobile Liability* – The County established a self-insured program for general liability and automobile insurance July 1, 1994. The County purchased excess insurance with a \$250,000 retention, with limits of \$5,000,000 per occurrence, and no aggregate limit. At year-end, the County has an accrued liability of \$45,000 for automobile liability and \$260 for general liability.

Unpaid claims are included as claims payable on the Statement of Net Assets. Changes in the balances of claims liabilities during the past two years for the primary government and the component unit are as follows:

**Primary Government:**

	<b>Workers' Compensation</b>	<b>Health Insurance</b>	<b>General Liability</b>	<b>Automobile Liability</b>	<b>Total</b>
Unpaid Claims					
June 30, 2001	\$ 1,252,824	\$ 553,158	\$ -	\$ 6,398	\$ 1,812,380
Inurred claims (including IBNR and changes in estimates)	1,078,566	3,979,913	2,717	96,797	5,157,993
Claim payments	(396,283)	(3,777,749)	(67)	(47,929)	(4,222,028)
Unpaid Claims					
June 30, 2002	\$ 1,935,107	\$ 755,322	\$ 2,650	\$ 55,266	\$ 2,748,345
Inurred claims (including IBNR and changes in estimates)	155	3,791,386	20,878	5,527	3,817,946
Claim payments	(879,215)	(3,758,036)	(23,268)	(15,793)	(4,676,312)
Unpaid Claims					
June 30, 2003	\$ 1,056,047	\$ 788,672	\$ 260	\$ 45,000	\$ 1,889,979

**School System Component Unit:**

	<b>Workers'</b>	<b>Health</b>	
	<b>Compensation</b>	<b>Insurance</b>	<b>Total</b>
Unpaid Claims			
June 30, 2001	\$ 187,471	\$ 1,098,620	\$ 1,286,091
Inurred claims (including IBNR and changes in estimates)	66,873	8,599,738	8,666,611
Claim payments	(132,079)	(8,224,426)	(8,356,505)
Unpaid Claims			
June 30, 2002	\$ 122,265	\$ 1,473,932	\$ 1,596,197
Inurred claims (including IBNR and changes in estimates)	275,190	7,965,146	8,240,336
Claim payments	(264,049)	(7,892,462)	(8,156,511)
Unpaid Claims			
June 30, 2003	\$ 133,406	\$ 1,546,616	\$ 1,680,022

**(11) Capital Leases**

The County has entered into various agreements to lease vehicles, fire equipment, data processing equipment, energy management equipment and two buildings. The following is an analysis of the leased buildings and equipment and obligations under capital leases by fund type:

	Governmental Activities	
	June 30, 2003	June 30, 2002
Capital leases	\$ 5,831,689	\$ 7,074,153
Capital Assets:		
Machinery and equipment	5,341,437	5,341,437
Buildings and improvements	6,900,000	6,900,000
Less accumulated depreciation	(796,903)	(679,312)
	\$ 11,444,534	\$ 11,562,125

The Governmental Activities minimum lease payment amounted to \$1,291,855 in fiscal 2003. The future lease payments under the capital leases at June 30, 2003 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2004	1,182,020
2005	967,981
2006	573,166
2007	570,208
2008	572,077
2009-2013	2,735,349
2014-2016	735,329
	<u>7,336,130</u>
Less amount representing interest (rates ranging from 4.9% to 6.3%)	<u>(1,504,441)</u>
Capitalized lease obligations	<u><u>\$ 5,831,689</u></u>

## **(12) Defined Benefit Pension Plan**

### **A. Plan Description**

The County of Roanoke contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, professional and non-professional employees of the Roanoke County Public Schools are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system. All full time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

## B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the employer. In addition, the County of Roanoke and Roanoke County Public Schools are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County of Roanoke and Roanoke County Public Schools' contribution rates for the fiscal year ended 2003 were 7.50% and 9.44% of annual covered payroll, respectively (including the employee share of 5% paid by the employer). For the three years ended June 30, 2003, 2002, and 2001, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the Roanoke County Public Schools were \$5,827,658, \$5,077,403, and \$6,980,655, and annual covered payroll was \$61,733,660, \$59,171,237, and \$55,667,102 respectively.

## C. Annual Pension Cost

The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25 to 6.10% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the County of Roanoke and Roanoke County Public Schools' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Roanoke and Roanoke County Public Schools' unfunded actuarial liabilities are being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

### Trend Information for the County of Roanoke

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Overcontributions</u>
June 30, 2003	\$ 1,465,630	51.68%	\$ 1,116,703
June 30, 2002	691,486	211.8%	1,824,931
June 30, 2001	1,235,761	127.7%	1,051,992

### Trend Information for the Roanoke County Public Schools

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Overcontributions</u>
June 30, 2003	\$ 42,066	N/A	\$ 155,992
June 30, 2002	26,086	N/A	168,607
June 30, 2001	-	N/A	194,693

### (13) Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Deferred revenue in the fund financial statements is comprised of the following:

	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Property tax	\$ 5,207,513	\$ -	\$ -
Other local tax	205,027	-	-
Sales tax	588,509	-	-
Connection fees	-	253,995	-
Insurance withholdings	-	-	400,093
Grant revenue	15,026	-	-
Total	<u>\$ 6,016,075</u>	<u>\$ 253,995</u>	<u>\$ 400,093</u>

Deferred revenue in the government-wide statements is comprised of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Property tax	\$ 5,207,513	\$ -	\$ 5,207,513	\$ -
Connection fees	-	253,995	253,995	-
Insurance withholdings	400,093	-	400,093	969,091
Grant revenue	15,026	-	15,026	245,068
Total	<u>\$ 5,622,632</u>	<u>\$ 253,995</u>	<u>\$ 5,876,627</u>	<u>\$ 1,214,159</u>

- Deferred Property Tax-Deferred revenue representing uncollected tax billings not available for funding of current expenditures.
- Deferred Other Tax-Deferred revenue representing uncollected franchise tax not available for funding of current expenditures.
- Deferred Sales Tax-Deferred revenue of the County and School System representing June sales taxes collected by the state in July and remitted in August.
- Deferred Connection Fees-Deferred revenue representing uncollected water and sewer connection fee revenue not available for funding of current expenses.
- Deferred Insurance Withholding Revenue-Deferred revenue in the Internal Service Funds representing the premiums collected in June for July insurance coverage.
- Deferred Grant Revenue-Deferred grant revenue representing grant receipts in excess of grant expenditures.

### (14) Commitments, Contingencies, and Other Information

*Grant Programs* – Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement of the grantor agencies. County management believes disallowances, if any, would not be material to the financial position of the County at June 30, 2003.

*Other Contingencies* – The County discontinued collections of solid waste at its Dixie Caverns Landfill in 1975. The subsequent discovery of leakage of hazardous waste has caused



extensive remedial and removal expenses that have been coordinated with and approved by the United States Environmental Protection Agency (EPA). The County closed this landfill during the 1997-98 fiscal year. The EPA has approved the closure and monitoring of the landfill. As part of the agreement with the EPA, the County has five remaining years of post closure monitoring which will include field inspection and leachate removal. Post closure care is estimated to be \$200,000 for this time period and will be funded on an annual basis through the County budget process.

The County of Roanoke owns and/or rents several sites around the Roanoke Valley for the purpose of maintaining towers and antennae for its public safety radio communications system. The County renewed a lease with the owner of the Tinker Mountain site for a two year term at \$3,000 per year. An additional two year term, at the option of the County, is available at \$3,400 per year.

#### **(15) Post-Employment Benefits**

In addition to the pension benefits described in Note 12, the Roanoke County Public School System provides post-retirement health care benefits to all employees who retire from the School System after age 55 with at least 10 years of service and 12 months enrollment in the School System's group health plan. The County provides post-retirement health care benefits to all employees who retire from the County under the Virginia Retirement System. Currently, 197 School System retirees and 139 County retirees meet these eligibility requirements. The School System contributed an annual maximum of \$2,500 per retiree for post-employment health insurance for up to five years. The County contributed up to \$6,190 per year for subscriber, subscriber plus minor, or family coverage towards the total premium for each eligible retiree. Expenditures for post-retirement health care benefits are recognized on a monthly basis as the employee premium becomes due. During the year, expenditures of \$555,183 and \$477,319 were recognized for post-retirement health care for School System and County retirees, respectively.

#### **(16) Jointly Governed Organizations**

The following entities are considered to be jointly governed. The County has no ongoing financial responsibility or interest in jointly governed organizations.

##### **Roanoke Valley Regional Board**

The County, the City of Roanoke, the City of Salem, Botetourt County, Franklin County, and Craig County jointly participate in the regional education program for severely handicapped students, operated by the Roanoke Valley Regional Board (the Board). The Board is composed of six members, one from each participating locality. The County of Roanoke has control over budget and financing of the program only to the extent of representation by the board members appointed. Each locality's financial obligation is based on the proportionate share of students attending the regional program.

For the year ended June 30, 2003, the Roanoke County Public School System, a component unit of the County of Roanoke, remitted \$1,524,507 to the Board for services. Year-end deficits are recovered in the following year's rates. This entity is currently self-supporting and is expected to remain as such in the future.

##### **Roanoke Valley Resource Authority**

The Roanoke Valley Resource Authority (the Authority) was established on October 23, 1991 under a user agreement between the County of Roanoke, City of Roanoke, and the Town of Vinton to develop a regional solid waste disposal facility. The old regional sanitary landfill operated by the Roanoke Valley Regional Solid Waste Management Board was closed on September 30, 1993. The Authority is presently governed by a seven member board appointed by the governing bodies of the Charter Members. The County has control over the budget and financing of the Authority only to the extent of representation by board members appointed. For the fiscal year ended June 30, 2003, the County remitted approximately \$1,687,000 to the Authority for services. Participating localities are responsible for their pro-rata share, based on population, of any year-end deficit. The Authority is currently self-supporting and is expected to remain as such in the future. The County is the fiscal agent for the Authority and reports its assets and liabilities in an agency fund.

#### Roanoke Regional Airport Commission

The Roanoke Regional Airport Commission (the Commission) was established on July 1, 1987 by legislative act of the Commonwealth of Virginia to own and operate the Roanoke Regional Airport. The Commission is composed of five members. Two members are appointed by the Roanoke County Board of Supervisors and three by Roanoke City Council. The County and the City are each responsible for their pro rata share, based on population, of any year-end operating deficit or capital expenditures if any additional funding is required. The Commission is responsible for paying all outstanding debt. No subsidy has been required since inception.

#### Roanoke Valley Detention Commission

The Counties of Botetourt, Craig, and Roanoke, and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (the Commission) to renovate, expand, and operate a detention facility for juveniles. The Commission is governed by a six member board. Each locality's financial obligation is based on the number of juveniles housed at the facility. The Commission has the authority to issue debt and such debt is the responsibility of the Commission.

#### Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig, and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Community Services (Blue Ridge) to provide a system of comprehensive community mental health, mental retardation, and substance abuse services. Blue Ridge is governed by a sixteen member board. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality.

#### Fifth District Employment and Training Consortium

The Counties of Allegheny, Botetourt, Craig, and Roanoke and the Cities of Roanoke, Clifton Forge, Covington, and Salem jointly participate in the Fifth District Employment and Training Consortium (the Consortium). The Consortium is governed by an eight member board.

#### Fifth Planning District Disability Services Board

The Counties of Allegheny, Botetourt, Craig, and Roanoke, the Town of Vinton, and the Cities of Roanoke, Salem, Covington, and Clifton Forge jointly participate in the Fifth Planning District Disability Services Board (the Board). The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities.

#### Roanoke Valley Society for the Prevention of Cruelty to Animals

The Counties of Roanoke and Botetourt, Town of Vinton and City of Roanoke jointly participate on the Advisory Board which is responsible for the general fiscal and management policy for the Roanoke Valley Society for the Prevention of Cruelty to Animals (RVSPCA). Construction began on a new center for animal control and protection during fiscal year 2003. Each participating locality will pay a portion of the total project and start up costs equal to its use percentage multiplied by the total amount, not to exceed \$440,000. The center will be owned and operated by the RVSPCA. Participating localities are responsible for their pro-rata share, based on their use percentage, of any fiscal year-end deficit.

### **(17) Related Organizations**

The Industrial Development Authority (Authority) of Roanoke County, Virginia was created in 1971. The Authority is authorized to acquire, own, lease and dispose of local properties which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven member board appointed by the Roanoke County Board of Supervisors. The County of Roanoke has no financial responsibility for the debt issued by the Authority.



## Required Supplementary Information



Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2003  
(unaudited)

Exhibit IX

	Original Budget	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 83,304,000	\$ 71,782,980	\$ 73,501,276	\$ 1,718,296
Other local taxes	24,895,912	24,895,912	25,712,914	817,002
Permits, fees, and licenses	600,500	669,270	628,310	(40,960)
Fines and forfeitures	580,400	580,400	584,979	4,579
Use of money and property	1,338,047	1,388,784	732,323	(656,461)
Charges for services	2,366,438	2,394,306	2,931,449	537,143
Intergovernmental revenues	15,865,121	26,062,633	25,438,539	(624,094)
Miscellaneous	1,140,143	1,227,980	1,396,673	168,693
Total revenues	<u>\$ 130,090,561</u>	<u>\$ 129,002,265</u>	<u>\$ 130,926,463</u>	<u>\$ 1,924,198</u>
Expenditures:				
General government:				
Board of supervisors	\$ 281,167	\$ 294,787	\$ 283,396	\$ 11,391
County administrator	216,092	282,218	261,775	20,443
Community relations	107,154	113,674	113,726	(52)
Human resources	463,371	480,328	466,525	13,803
County attorney	381,713	386,103	387,508	(1,405)
Commissioner of revenue	638,165	695,783	664,807	30,977
Assessor	807,219	908,958	892,942	16,016
Treasurer	670,791	723,346	686,307	37,039
Risk management	-	144,727	144,727	-
Assistant county administrator -				
Management services	116,660	123,457	122,633	824
Finance	995,472	1,068,299	1,034,894	33,405
Management and budget	148,627	203,683	193,989	9,694
Procurement	354,904	348,534	347,338	1,196
Electoral board and officials	233,983	237,883	196,042	41,841
Judicial administration:				
Circuit court	157,068	232,306	203,169	29,138
General district court	40,878	40,878	35,813	5,065
Special magistrates	1,655	1,655	1,145	510
J and D Court	13,429	13,429	12,609	820
Clerk of the circuit court	801,819	872,973	856,883	16,090
Law library	41,648	41,648	39,211	2,437
Commonwealth attorney	605,834	696,249	625,895	70,353
Public safety:				
Sheriff and police	9,051,549	11,110,775	10,559,739	551,036
Highway safety commission	960	960	-	960
E911 maintenance	1,088,912	1,989,850	564,782	1,425,068
Fire and rescue services	7,364,886	8,782,891	8,663,896	118,996
Confinement and care of prisoners	3,679,044	4,112,051	4,090,918	21,133
Court service unit	502,761	511,035	504,442	6,593
VJCCCA grant	354,644	456,211	331,123	125,088
Animal control	256,614	248,932	247,587	1,345

See accompanying notes to required supplementary information.  
See accompanying independent auditors' report

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2003  
(unaudited)

Exhibit IX (continued)

	Original Budget	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Public works:				
General services administration	739,211	1,509,080	1,344,879	164,201
Refuse disposal	4,181,505	5,080,329	4,051,787	1,028,543
Maintenance of general buildings and grounds	3,033,954	2,774,854	2,812,101	(37,247)
Engineering	1,936,515	2,221,165	2,080,537	140,628
Inspections	627,102	672,411	670,749	1,662
Garage complex	264,375	135,190	127,694	7,496
Health and welfare:				
Mental health	-	21,675	21,673	2
Psychiatrically disabled	-	10,800	10,765	35
Public health	459,403	459,403	430,511	28,892
Social services administration	3,105,238	3,568,961	3,296,111	272,850
Comprehensive services act	2,725,436	2,902,746	2,744,840	157,906
Public assistance	1,780,000	2,207,500	2,274,463	(66,963)
Institutional care	32,602	32,602	33,011	(409)
Social services organizations	167,755	167,755	167,755	-
Parks, recreation and cultural:				
Assistant county administrator - Human services	162,441	165,783	164,558	1,225
Parks and recreation	3,321,666	3,644,572	3,185,677	458,895
Library	2,021,917	2,174,407	2,142,685	31,722
Cultural enrichment	147,218	209,990	165,177	44,813
Community development:				
Planning and zoning	628,719	668,809	476,257	192,552
Cooperative extension program	89,456	89,456	61,509	27,947
Economic development	534,850	549,061	532,743	16,318
Public transportation	195,000	640,466	425,958	214,507
Contribution to human service organizations	84,510	86,010	85,950	60
Miscellaneous	7,692,824	1,943,598	907,334	1,036,264
Total Expenditures	\$ 63,308,716	\$ 67,060,246	\$ 60,748,544	\$ 6,311,702
Excess of revenues over expenditures	66,781,845	61,942,019	70,177,919	8,235,900
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 799,000	\$ 566,818	\$ 566,818	-
Transfers out	(67,580,845)	(66,532,229)	(66,470,969)	61,260
Total other financing sources (uses)	\$ (66,781,845)	\$ (65,965,411)	\$ (65,904,151)	\$ 61,260
Net change in fund balances	\$ -	\$ (4,023,392)	\$ 4,273,768	\$ 8,297,160
Fund balances at beginning of the year	12,482,162	13,194,363	14,269,874	1,075,511
Fund balances at end of year	\$ 12,482,162	\$ 9,170,971	\$ 18,543,642	\$ 9,372,671

See accompanying notes to required supplementary information.

See accompanying independent auditors' report.



County of Roanoke, Virginia  
Required Supplementary Information  
Schedule of Funding Progress for County of Roanoke and Roanoke County Public Schools  
For The Year Ended June 30, 2003  
(Unaudited)

Exhibit X

Virginia Retirement System

<u>Acturial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Overfunded Actuarial Accrued Liability (OAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>OAAL as a Percentage of Covered Payroll</u>
A. County of Roanoke Employees:						
June 30, 2000	\$ 83,413,929	\$ 75,034,206	\$ 8,379,723	111.17	\$ 24,715,221	33.91%
June 30, 2001	93,167,105	84,249,979	8,917,126	110.58	27,659,439	32.24%
June 30, 2002	97,512,491	92,940,141	4,572,350	104.92	29,312,601	15.60%
B. Roanoke County School Board Non-Professional Employees:						
June 30, 2000	\$ 20,346,832	\$ 15,540,553	\$ 4,806,279	130.93	\$ 5,040,318	95.36%
June 30, 2001	22,037,956	16,892,600	5,145,356	130.46	5,217,151	98.62%
June 30, 2002	22,386,335	18,095,862	4,290,473	123.71	5,608,779	76.50%

## COUNTY OF ROANOKE, VIRGINIA

### Notes to Required Supplementary Information For the Year Ended June 30, 2003 (unaudited)

#### **Budgetary Accounting and Control**

- *Annual Budget Adoption* - Annual budgets are legally adopted for the General, Debt Service, and School Board Component Unit Operating Funds. Capital Project Funds are budgeted on a project basis. The County follows these procedures in establishing the budgetary data reflected in the financial statements. The Code of Virginia requires adoption of a balanced budget by June 30 of each year. The County Board of Supervisors formally adopted the fiscal year 2002-2003 budget appropriation on May 14, 2002.
- *Budgetary Basis of Accounting* - The General Fund budget is adopted on the modified accrual basis of accounting, a basis of accounting consistent with accounting principles generally accepted in the United States of America.
- *Budgetary Process* - At least sixty days prior to June 30, the County Administrator submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30, the budget is legally enacted through an ordinance passed by the County Board of Supervisors.
- *Budgetary Controls* - Legal budgetary control is maintained at the fund level. However, for management purposes, the budget is segregated into three categories: personnel, operating, and capital expenditures by department. The Department Head may use discretion to transfer from one category to another as long as the departmental total does not change. County debt is segregated into a separate fund for budgetary purposes. The County Administrator may authorize or delegate the authorization of a transfer of any unencumbered balance or portion thereof from one department to another within a fund. All other transfers require approval of the Board of Supervisors. Formal budgetary integration into the financial accounting system is employed as a management control device during the year for the governmental type funds. Management control is maintained at the category level (i.e. personnel, operating, capital) and supplemental appropriations during the year-end cannot exceed the undesignated fund balance. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the fund level. Unspent appropriations lapse at year-end for legally adopted budgets. The Board of Supervisors must approve any budget amendments increasing or decreasing appropriations. Major amendments are budget amendments that exceed the lesser of one percent of the original budget or the sum or \$500,000. These major amendments must go through the same public hearing requirements as the original budget.

## **Supplementary Information**



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of services provided by one department to other departments of the County, on a cost reimbursement basis.

The **Health Insurance Fund** is a self-insured fund used to account for health care costs.

The **Dental Insurance Fund** is a fully insured fund used to account for dental care costs.

The **Risk Management Fund** is a self-insured fund used to account for workers' compensation costs for employees injured on the job.



COUNTY OF ROANOKE, VIRGINIA  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2003

Schedule 1

	Internal Service Funds			
	Health Insurance	Dental Insurance	Risk Management	Total Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,848,047	\$ 80,844	\$ 5,419,052	\$ 8,347,943
Accounts receivable	76,162	26,730	696	103,588
Interfund receivable	-	-	374,177	374,177
Total current assets	<u>\$ 2,924,209</u>	<u>\$ 107,574</u>	<u>\$ 5,793,925</u>	<u>\$ 8,825,708</u>
Noncurrent assets:				
Interfund receivable	-	-	453,559	453,559
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,559</u>	<u>\$ 453,559</u>
Total assets	<u>\$ 2,924,209</u>	<u>\$ 107,574</u>	<u>\$ 6,247,484</u>	<u>\$ 9,279,267</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ 31,067	\$ 31,067
Claims payable	788,672	-	373,788	1,162,460
Deferred revenue	375,680	24,413	-	400,093
Total current liabilities	<u>\$ 1,164,352</u>	<u>\$ 24,413</u>	<u>\$ 404,855</u>	<u>\$ 1,593,620</u>
Noncurrent liabilities:				
Claims payable	-	-	727,519	727,519
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,519</u>	<u>\$ 727,519</u>
Total liabilities	<u>\$ 1,164,352</u>	<u>\$ 24,413</u>	<u>\$ 1,132,374</u>	<u>\$ 2,321,139</u>
<b>NET ASSETS</b>				
Unrestricted	1,759,857	83,161	5,115,110	6,958,128
Total net assets	<u>\$ 1,759,857</u>	<u>\$ 83,161</u>	<u>\$ 5,115,110</u>	<u>\$ 6,958,128</u>

COUNTY OF ROANOKE, VIRGINIA  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2003

Schedule 2

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Dental Insurance	Risk Management	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,503,424	\$ 313,878	\$ 1,050,347	\$ 5,867,649
Miscellaneous	-	-	54,205	54,205
Total operating revenues	<u>\$ 4,503,424</u>	<u>\$ 313,878</u>	<u>\$ 1,104,552</u>	<u>\$ 5,921,854</u>
<b>OPERATING EXPENSES</b>				
Purchased services	\$ -	\$ -	\$ 429,740	\$ 429,740
Personal services	-	-	124,470	124,470
Claims	3,791,386	307,243	26,560	4,125,189
Administrative charges	10,082	-	44,946	55,028
Total operating expenses	<u>\$ 3,801,468</u>	<u>\$ 307,243</u>	<u>\$ 625,716</u>	<u>\$ 4,734,427</u>
Operating income	<u>\$ 701,956</u>	<u>\$ 6,635</u>	<u>\$ 478,836</u>	<u>\$ 1,187,427</u>
<b>NONOPERATING REVENUES</b>				
Investment income	\$ 6,934	\$ 1,742	\$ 76,275	\$ 84,951
Total nonoperating revenues	<u>\$ 6,934</u>	<u>\$ 1,742</u>	<u>\$ 76,275</u>	<u>\$ 84,951</u>
Net income before transfers	708,890	8,377	555,111	1,272,378
Transfers in	421,952	-	-	421,952
Change in net assets	<u>\$ 1,130,842</u>	<u>\$ 8,377</u>	<u>\$ 555,111</u>	<u>\$ 1,694,330</u>
Total net assets at beginning of year	629,015	74,784	4,559,999	5,263,798
Total net assets at end of year	<u>\$ 1,759,857</u>	<u>\$ 83,161</u>	<u>\$ 5,115,110</u>	<u>\$ 6,958,128</u>

COUNTY OF ROANOKE, VIRGINIA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2003

Schedule 3

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Dental Insurance	Risk Management	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from interfund services provided	\$ 4,503,424	\$ 313,878	\$ 1,050,347	\$ 5,867,649
Payments to suppliers	(10,082)	-	(484,780)	(494,862)
Payments to employees	-	-	(126,659)	(126,659)
Claims paid	(3,758,036)	(307,243)	(891,716)	(4,956,995)
Other receipts	(61,604)	(969)	62,430	(143)
Net cash provided by (used in) operating activities	<u>\$ 673,702</u>	<u>\$ 5,666</u>	<u>\$ (390,378)</u>	<u>\$ 288,990</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	421,952	-	-	421,952
Interfund loans-proceeds and collections	-	-	575,227	575,227
Net cash provided by noncapital financing activities	<u>421,952</u>	<u>-</u>	<u>575,227</u>	<u>997,179</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	6,934	1,742	76,275	84,951
Net increase in cash and cash equivalents	1,102,588	7,408	261,124	1,371,120
Cash and cash equivalents at beginning of the year	1,745,459	73,436	5,157,928	6,976,823
Cash and cash equivalents at end of the year	<u>\$ 2,848,047</u>	<u>\$ 80,844</u>	<u>\$ 5,419,052</u>	<u>\$ 8,347,943</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	\$ 701,956	\$ 6,635	\$ 478,836	\$ 1,187,427
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Accounts receivable	(67,639)	(1,513)	8,225	(60,927)
Accounts payable	-	-	16,466	16,466
Accrued wages and benefits	-	-	(2,189)	(2,189)
Claims payable	33,350	-	(891,716)	(858,366)
Deferred revenue	6,035	544	-	6,579
Net cash provided by (used in) operating activities	<u>\$ 673,702</u>	<u>\$ 5,666</u>	<u>\$ (390,378)</u>	<u>\$ 288,990</u>



## AGENCY FUNDS

The **Roanoke Valley Resource Authority Fund** reflects cash held by the County as fiscal agent for the Roanoke Valley Resource Authority.

The **Commonwealth Fund** reflects activity related to monies collected in the County for the Commonwealth of Virginia.

The **Special Welfare Fund** reflects the receipt and disbursement of monies maintained in individual agency accounts for certain County welfare recipients.

The **Cable TV Fund** reflects cash held by the County as fiscal agent for the Cable TV Committee.

The **Industrial Development Authority Fund** reflects cash held by the County as fiscal agent for the Industrial Development Authority.

The **Roanoke Valley Greenways Fund** reflects cash held by the County as fiscal agent for Roanoke Valley Greenways.

The **Regional Fire Training Center Fund** reflects the receipts and disbursements to fund the operating costs of the Regional Fire Training Center.

The **Virginia Recreation Facilities Authority Fund** reflects cash held by the County as fiscal agent for the Virginia Recreation Facilities Authority.

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## Schedule 4

[illegible]

COUNTY OF ROANOKE, VIRGINIA  
Capital Assets Used in the Operation of Governmental Activities  
Schedule By Function and Activity  
June 30, 2003

Schedule 5

Function and Activity:	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Total
General government				
Legislative	\$ -	\$ -	\$ 9,329	\$ 9,329
Executive	-	-	30,817	30,817
Judicial	-	25,292	447,580	472,872
Elections	-	-	23,092	23,092
Finance	-	-	689,202	689,202
Management and budget	-	-	2,641	2,641
County attorney	-	-	5,395	5,395
Administrative officers and boards	-	-	285,700	285,700
Planning and zoning	-	-	5,916	5,916
Human resources	-	-	6,590	6,590
Management information systems	-	-	938,648	938,648
Procurement	-	-	46,013	46,013
Radio maintenance	-	50,855	478,280	529,135
Gas distribution center	-	-	151,363	151,363
General governmental buildings	7,396,864	96,201,851	1,200,600	104,799,315
Solid waste	-	-	1,978,147	1,978,147
General services	-	116,575	175,522	292,097
Other	-	-	77,020	77,020
Total general government	<u>7,396,864</u>	<u>96,394,573</u>	<u>6,551,855</u>	<u>110,343,292</u>
Public safety				
Police protection	-	153,594	7,472,782	7,626,376
Fire and rescue	146,763	6,126,992	8,990,258	15,264,013
Correction and detention	203,504	5,345,997	905,582	6,455,083
Inspections	-	-	80,665	80,665
Total public safety	<u>350,267</u>	<u>11,626,583</u>	<u>17,449,287</u>	<u>29,426,137</u>
Engineering	-	-	880,041	880,041
Buildings and grounds	-	6,880	240,849	247,729
Health and welfare	-	-	138,062	138,062
Libraries	696,075	3,377,263	139,071	4,212,409
Recreation	1,230,084	4,605,750	1,596,228	7,432,062
Total governmental funds capital assets allocated to functions	<u>\$ 9,673,290</u>	<u>\$ 116,011,049</u>	<u>\$ 26,995,393</u>	<u>152,679,732</u>
Construction in progress				<u>1,962,530</u>
Total governmental funds capital assets				<u>\$ 154,642,262</u>

COUNTY OF ROANOKE, VIRGINIA  
Capital Assets Used in the Operation of Governmental Activities  
Schedule of Changes By Function and Activity  
June 30, 2003

Schedule 6

	Governmental Funds Capital Assets June 30, 2002	Additions	Reductions	Governmental Funds Capital Assets June 30, 2003
<u>Function and Activity:</u>				
General government				
Legislative	\$ 9,329	\$ -	\$ -	\$ 9,329
Executive	30,817	-	-	30,817
Judicial	386,436	86,436	-	472,872
Elections	23,092	-	-	23,092
Finance	681,642	7,560	-	689,202
Management and budget	2,641	-	-	2,641
County attorney	5,395	-	-	5,395
Administrative officers and boards	298,879	14,801	(27,980)	285,700
Planning and zoning	5,916	-	-	5,916
Human resources	6,590	-	-	6,590
Management information systems	900,469	38,179	-	938,648
Procurement	27,495	18,518	-	46,013
Radio maintenance	529,135	-	-	529,135
Gas distribution center	151,363	-	-	151,363
General governmental buildings	69,810,924	35,286,883	(298,492)	104,799,315
Solid waste	1,916,783	78,476	(17,112)	1,978,147
General services	325,065	36,378	(69,346)	292,097
Other	77,020	-	-	77,020
Total general government	<u>75,188,991</u>	<u>35,567,231</u>	<u>(412,930)</u>	<u>110,343,292</u>
Public safety				
Police protection	7,350,838	383,960	(108,422)	7,626,376
Fire and rescue	14,396,160	1,211,217	(343,364)	15,264,013
Correction and detention	6,442,648	25,240	(12,805)	6,455,083
Inspections	80,665	-	-	80,665
Total public safety	<u>28,270,311</u>	<u>1,620,417</u>	<u>(464,591)</u>	<u>29,426,137</u>
Engineering	811,394	68,647	-	880,041
Buildings and grounds	226,017	41,795	(20,083)	247,729
Health and welfare	138,062	-	-	138,062
Libraries	4,212,409	-	-	4,212,409
Recreation	7,073,551	376,871	(18,360)	7,432,062
Construction in progress	<u>32,695,414</u>	<u>7,176,481</u>	<u>(37,909,365)</u>	<u>1,962,530</u>
Total governmental funds capital assets	<u>\$ 148,616,149</u>	<u>\$ 44,851,442</u>	<u>\$ (38,825,329)</u>	<u>\$ 154,642,262</u>

COUNTY OF ROANOKE, VIRGINIA  
Schedule of Treasurer's Accountability  
June 30, 2003

Schedule 7

ASSETS HELD BY THE TREASURER:

Cash and cash items:

Cash and cash items on hand	\$ 800	
Petty cash funds with other county officials	8,460	
Petty cash funds with Roanoke Valley Resource Authority	<u>600</u>	\$ 9,860

Cash on deposit:

SunTrust bank	12,714,380	
Bank of Botetourt	44,074	
First Virginia bank	201,413	
Valley bank	<u>179,741</u>	13,139,608

Money market deposit:

SunTrust bank	12,680,692	
Alexandar Key	23,380,314	
Wachovia	2,293,227	
Evergreen	<u>679,372</u>	39,033,605

Certificates of deposit:

FNB Salem Bank and Trust	<u>100,000</u>	100,000
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Bankers' acceptances:

SunTrust bank	<u>718,223</u>	718,223
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Commercial paper:

SunTrust bank	2,000,000	
Morgan Keegan	2,000,000	
BB&T	2,000,000	
Alexandar Key	3,000,000	
Evergreen	<u>1,397,983</u>	10,397,983

Government securities:

Alexandar Key	9,084,610	
SunTrust bank	9,789,637	
Evergreen	<u>9,202,459</u>	28,076,706

Domestic corporate bonds:

Alexander Key	230,482	
Evergreen	<u>1,788,600</u>	2,019,082

COUNTY OF ROANOKE, VIRGINIA  
Schedule of Treasurer's Accountability  
June 30, 2003

Schedule 7 (continued)

Local government investment pool	\$ 9,006,093		\$ 9,006,093
Escrow accounts:			
BB&T	223,334		
Valley bank	290,896		
FNB Salem Bank and Trust	4,306		518,536
Deferred accounts and reserves:			
Returned checks	3,017		
Contractor escrows	(453,115)		
Deferred revenues	(126,659)		
Personal property tax relief	51,498		
Anderson deferred	13,014		
Unrefunded matured cd's	(8,744)		
A. D. Alford trust	(28,522)		
Sidney Louis Hyatt	(36,842)		
Reserves	116,744		(469,609)
Total assets held by the treasurer			<u>\$ 102,550,087</u>
LIABILITIES OF THE TREASURER:			
Balance of county funds			<u>\$ 102,550,087</u>

## COMPONENT UNIT

Component units are organizations for which the primary government is financially accountable and for which the exclusion from the County's financial statements would be misleading. This component unit represents the financial data for the Roanoke County Public School System.



COUNTY OF ROANOKE, VIRGINIA  
Statement of Net Assets  
Component Unit  
June 30, 2003

Schedule 8

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,185,082
Investments	5,061,299
Accounts receivable	150,191
Due from other governments	3,547,838
Inventories	53,979
Capital assets	
Land and construction in progress	6,388,869
Other capital assets, net	24,838,006
Capital assets, net	<u>31,226,875</u>
Total assets	<u>52,225,264</u>
<b>Liabilities</b>	
Accounts payable	2,185,904
Accrued wages and benefits	447,973
Deferred revenue	1,214,159
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	595,801
Claims payable	1,680,022
Portion due or payable after one year:	
Compensated absences	<u>1,014,741</u>
Total liabilities	<u>7,138,600</u>
<b>Net Assets</b>	
Invested in capital assets	31,226,875
Unrestricted	<u>13,859,789</u>
Total net assets	<u><u>\$ 45,086,664</u></u>



COUNTY OF ROANOKE, VIRGINIA  
Statement of Activities  
Component Unit  
For the Year Ended June 30, 2003

Schedule 9

Functions/Programs	Program Revenues				Net Expense and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Instruction	\$ 84,323,408	\$ 432,255	\$ 14,354,627	\$ 830,000	\$ (68,706,526)
Support Services:					
Administration	2,980,386	-	-	-	(2,980,386)
Attendance and health	2,995,779	1,176	-	-	(2,994,603)
Transportation	4,303,445	-	-	-	(4,303,445)
Operations and maintenance	9,865,178	127,927	-	-	(9,737,251)
Technology	1,240,912	-	-	-	(1,240,912)
Noninstructional services:					
School nutrition	3,969,333	2,932,555	804,489	-	(232,289)
Facilities	865,423	-	-	274,616	(590,807)
Payments to Roanoke County	2,585,596	-	-	-	(2,585,596)
Total governmental activities	<u>\$ 113,129,460</u>	<u>\$ 3,493,913</u>	<u>\$ 15,159,116</u>	<u>\$ 1,104,616</u>	<u>\$ (93,371,815)</u>
Payments from Roanoke County					55,881,964
State aid					38,426,184
Miscellaneous					347,322
Gain on sale of capital assets					24,153
Total general revenues					<u>94,679,623</u>
Change in net assets					\$ 1,307,808
Net assets at beginning of year					<u>43,778,856</u>
Net assets at end of year					<u>\$ 45,086,664</u>

COUNTY OF ROANOKE, VIRGINIA  
Component Unit  
Balance Sheet  
Governmental Funds  
June 30, 2003

Schedule 10

	General	Grant Fund	Capital Projects	Nonmajor	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,614,611	\$ -	\$ 1,379,809	\$ 336,806	\$ 5,767,973
Investments	1,416,793	-	4,888,091	1,193,162	5,061,299
Accounts receivable	148,030	585	-	202	148,817
Due from other governments	2,483,750	989,899	74,189	-	3,547,838
Due from other funds	563,173	-	-	-	563,173
Inventory	53,979	-	-	-	53,979
<b>Total assets</b>	<b>\$ 6,280,336</b>	<b>\$ 990,484</b>	<b>\$ 6,342,089</b>	<b>\$ 1,530,170</b>	<b>\$ 15,143,079</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 710,121	\$ 84,304	\$ 1,351,434	\$ 36,529	\$ 2,182,388
Accrued wages and benefits	440,472	7,501	-	-	447,973
Deferred revenue	939,587	245,068	-	-	1,184,655
Due to other funds	-	563,173	-	-	563,173
<b>Total liabilities</b>	<b>2,090,180</b>	<b>900,046</b>	<b>1,351,434</b>	<b>36,529</b>	<b>4,378,189</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	17,326	46,984	142,830	-	207,140
Inventories	53,979	-	-	-	53,979
<b>Unreserved:</b>					
<b>Designated for:</b>					
Subsequent year's budget	-	43,454	-	-	43,454
Special revenue funds	-	-	-	1,493,641	1,493,641
Future capital projects	-	-	4,847,825	-	4,847,825
Undesignated surplus	4,118,851	-	-	-	4,118,851
<b>Total fund balances</b>	<b>4,190,156</b>	<b>90,438</b>	<b>4,990,655</b>	<b>1,493,641</b>	<b>10,764,890</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,280,336</b>	<b>\$ 990,484</b>	<b>\$ 6,342,089</b>	<b>\$ 1,530,170</b>	
<b>Reconciliation to the Statement of Net Assets:</b>					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					31,226,875
Internal service funds are used by the School Board to charge the cost of health, dental, and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the sta					3,778,364
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.					(1,610,542)
Revenues earned but not considered available are not current financial resources and therefore are not reported in the governmental funds.					927,077
<b>Net assets of governmental activities</b>					<b>\$ 45,086,664</b>

COUNTY OF ROANOKE, VIRGINIA  
Component Unit  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2003

Schedule 11

	<b>General</b>	<b>Grant Fund</b>	<b>Capital Projects</b>	<b>Nonmajor</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Intergovernmental:					
Roanoke County	\$ 55,778,534	\$ -	\$ 68,382	\$ 35,047	\$ 55,881,963
Commonwealth of Virginia	47,774,574	512,077	1,104,616	684,931	50,076,198
Federal government	202,876	3,705,426	-	739,480	4,647,782
Charges for services	480,940	31,158	123,077	2,950,687	3,585,862
Other	97,186	10,000	-	30,494	137,680
Total revenues	<u>104,334,110</u>	<u>4,258,661</u>	<u>1,296,075</u>	<u>4,440,639</u>	<u>114,329,485</u>
<b>Expenditures</b>					
Current:					
Instruction	77,996,983	3,436,709	1,097,395	1,977,418	84,508,505
Administration	3,003,169	-	-	-	3,003,169
Attendance and health	2,174,067	865,416	-	-	3,039,483
Transportation	3,699,267	-	22,211	948,767	4,670,245
Operations and maintenance	9,972,752	-	84,682	-	10,057,434
School nutrition	-	-	-	3,961,100	3,961,100
Technology	-	-	1,240,912	-	1,240,912
Capital outlay:					
Facilities	97,080	-	1,776,644	-	1,873,724
Intergovernmental:					
Roanoke County	<u>2,585,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,585,596</u>
Total expenditures	<u>99,528,914</u>	<u>4,302,125</u>	<u>4,221,844</u>	<u>6,887,285</u>	<u>114,940,168</u>
Excess (deficiency) of revenues over expenditures	4,805,196	(43,464)	(2,925,769)	(2,446,646)	(610,683)
<b>Other financing sources (uses)</b>					
Proceeds from sale of equipment	-	-	20	24,133	24,153
Transfers in	-	30,000	4,009,062	960,146	4,999,208
Transfers out	<u>(4,662,673)</u>	<u>-</u>	<u>(650,000)</u>	<u>-</u>	<u>(5,312,673)</u>
Total other financing sources (uses)	<u>(4,662,673)</u>	<u>30,000</u>	<u>3,359,082</u>	<u>984,279</u>	<u>(289,312)</u>
Net change in fund balances	142,523	(13,464)	433,313	(1,462,367)	(899,995)
Fund balances at beginning of year	<u>4,047,633</u>	<u>103,902</u>	<u>4,557,342</u>	<u>2,956,008</u>	<u>11,664,885</u>
Fund balances at end of year	<u>\$ 4,190,156</u>	<u>\$ 90,438</u>	<u>\$ 4,990,655</u>	<u>\$ 1,493,641</u>	<u>\$ 10,764,890</u>

COUNTY OF ROANOKE, VIRGINIA  
Component Unit  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2003

Schedule 12

Net change in fund balances - total governmental funds	\$ (899,995)
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Amounts reported for governmental activities in the statement of activities are different due to:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$2,200,918) exceed capital outlays (\$2,064,784) in the current period.	(136,134)
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Revenues reported in the Statement of Activities, such as certain deferred revenues, are not considered available current financial resources and therefore are not reported as revenues in governmental funds. This is the amount by which the prior year available resources exceed the current year deferral.	(13,080)
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Expenses reported in the Statement of Activities, such as compensated absences, that do not require the use of current financial resources are not reported as expenditures in governmental funds.	295,402
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Internal service funds are used by the School System to charge the costs of health, dental, and workers' compensation insurance to individual funds. The change in net assets of the internal service funds are reported with governmental activities.	2,061,615
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Change in net assets of governmental activities	<u><u>\$ 1,307,808</u></u>
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COUNTY OF ROANOKE, VIRGINIA  
Component Unit  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003

Schedule 13

	<b>School Nutrition</b>	<b>School Textbooks</b>	<b>New School Start-Up</b>	<b>School Bus</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 215,133	\$ 81,329	\$ 59,889	\$ 458,552	\$ 814,903
Investments	188,776	71,365	52,552	402,372	715,065
Accounts receivable	64	-	-	138	202
	<u>64</u>	<u>-</u>	<u>-</u>	<u>138</u>	<u>202</u>
Total assets	<u>\$ 403,973</u>	<u>\$ 152,694</u>	<u>\$ 112,441</u>	<u>\$ 861,062</u>	<u>\$ 1,530,170</u>
<b>Liabilities and Fund Balances</b>					
Accounts payable	\$ 2,447	\$ 33,856	\$ 226	\$ -	\$ 36,529
	<u>2,447</u>	<u>33,856</u>	<u>226</u>	<u>-</u>	<u>36,529</u>
Total liabilities	<u>2,447</u>	<u>33,856</u>	<u>226</u>	<u>-</u>	<u>36,529</u>
<b>Fund Balances</b>					
Unreserved - designated for subsequent year's expenditures	\$ 401,526	\$ 118,838	\$ 112,215	\$ 861,062	\$ 1,493,641
	<u>401,526</u>	<u>118,838</u>	<u>112,215</u>	<u>861,062</u>	<u>1,493,641</u>
Total fund balances	<u>401,526</u>	<u>118,838</u>	<u>112,215</u>	<u>861,062</u>	<u>1,493,641</u>
Total liabilities and fund balances	<u>\$ 403,973</u>	<u>\$ 152,694</u>	<u>\$ 112,441</u>	<u>\$ 861,062</u>	<u>\$ 1,530,170</u>

COUNTY OF ROANOKE, VIRGINIA  
Component Unit  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2003

Schedule 14

	<u>School Nutrition</u>	<u>School Textbooks</u>	<u>New School Start-up</u>	<u>School Bus</u>	<u>Total</u>
<b>Revenues:</b>					
Intergovernmental:					
Roanoke County	\$ -	\$ -	\$ 35,047	\$ -	\$ 35,047
Commonwealth of Virginia	65,008	619,923	-	-	684,931
Federal government	739,480	-	-	-	739,480
Charges for services:					
Food sales	2,932,555	-	-	-	2,932,555
Textbook rentals and sales	-	18,132	-	-	18,132
Other:					
Investment income	7,392	-	-	16,425	23,817
Miscellaneous	3,533	3,144	-	-	6,677
Total revenues	<u>3,747,968</u>	<u>641,199</u>	<u>35,047</u>	<u>16,425</u>	<u>4,440,639</u>
<b>Expenditures:</b>					
Current:					
Instruction	-	931,041	1,046,377	-	1,977,418
Transportation	-	-	-	948,767	948,767
School nutrition	3,959,754	-	1,346	-	3,961,100
Total expenditures	<u>3,959,754</u>	<u>931,041</u>	<u>1,047,723</u>	<u>948,767</u>	<u>6,887,285</u>
Deficiency of revenues over expenditures	(211,786)	(289,842)	(1,012,676)	(932,342)	(2,446,646)
<b>Other financing sources:</b>					
Proceeds from sale of equipment	20,661	-	-	3,472	24,133
Operating transfers:					
Transfers from General Fund	-	310,146	-	-	310,146
Transfers from Capital Projects	-	-	-	650,000	650,000
Total other financing sources	<u>20,661</u>	<u>310,146</u>	<u>-</u>	<u>653,472</u>	<u>984,279</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(191,125)	20,304	(1,012,676)	(278,870)	(1,462,367)
Fund balances at beginning of year	<u>592,651</u>	<u>98,534</u>	<u>1,124,891</u>	<u>1,139,932</u>	<u>2,956,008</u>
Fund balances at end of year	<u>\$ 401,526</u>	<u>\$ 118,838</u>	<u>\$ 112,215</u>	<u>\$ 861,062</u>	<u>\$ 1,493,641</u>

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual – General Fund  
For the Year Ended June 30, 2003

Schedule 15

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
From local sources:			
General property taxes:			
Real property taxes	\$ 56,700,000	\$ 57,634,670	\$ 934,670
Real and personal public service corporation property taxes	2,300,000	2,417,351	117,351
Payments in lieu of taxes	159,000	153,155	(5,845)
Personal property taxes	12,078,980	12,713,228	634,248
Penalties and interest	545,000	582,872	37,872
Total general property taxes	71,782,980	73,501,276	1,718,296
Other local taxes:			
Local sales and use taxes	6,185,000	6,462,359	277,359
Business license taxes	4,200,000	4,615,098	415,098
Franchise license taxes	765,000	805,658	40,658
Motor vehicle licenses	1,710,000	1,721,892	11,892
Bank franchise taxes	447,000	347,417	(99,583)
Taxes on recordation and wills	1,210,000	1,211,416	1,416
Utility license tax	420,000	459,040	39,040
Mobile phone utility tax	800,000	991,027	191,027
Consumer utility tax	4,650,000	4,709,906	59,906
E911 tax	1,088,912	905,053	(183,859)
Hotel and motel tax	675,000	590,988	(84,012)
Tax on prepared food	2,625,000	2,782,567	157,567
Admissions tax	120,000	110,493	(9,507)
Total other local taxes	24,895,912	25,712,914	817,002
Permits, fees, and licenses:			
Animal licenses	30,000	27,245	(2,755)
Permits and other licenses	639,270	601,065	(38,205)
Total permits, fees, and licenses	669,270	628,310	(40,960)
Fines and forfeitures	580,400	584,979	4,579
Use of money and property	1,388,784	732,323	(656,461)
Charges for services:			
Refuse costs	9,500	11,532	2,032
Court costs	129,750	295,156	165,406
Charges for correction and detention	322,884	327,141	4,257
Charges for parks and recreation	914,632	869,400	(45,232)
Charges for library	5,000	19,291	14,291
Other charges	1,012,540	1,408,929	396,389
Total charges for services	2,394,306	2,931,449	537,143

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual – General Fund  
For the Year Ended June 30, 2003

Schedule 15 (continued)

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous:			
Reimbursements - shared programs from			
City of Salem	\$ 358,543	\$ 254,761	\$ (103,782)
Miscellaneous	145,438	233,919	88,481
Legal services	-	13	13
Jail	325,169	422,719	97,550
Welfare department	53,830	140,261	86,431
Resource Authority	45,000	45,000	-
Host locality fee	300,000	300,000	-
Total miscellaneous	<u>1,227,980</u>	<u>1,396,673</u>	<u>168,693</u>
Total revenue from local sources	<u>102,939,632</u>	<u>105,487,924</u>	<u>2,548,292</u>
From the Commonwealth:			
Non-categorical aid:			
ABC profits	94,000	94,376	376
Wine taxes	108,000	87,386	(20,614)
Motor vehicles carriers tax	56,000	33,319	(22,681)
Trailer tax	85,000	78,091	(6,909)
Personal property tax relief	11,521,020	11,521,020	-
Total non-categorical aid	<u>11,864,020</u>	<u>11,814,192</u>	<u>(49,828)</u>
Categorical aid:			
Shared expenditures:			
Commonwealth's Attorney	457,605	383,367	(74,238)
Sheriff	3,670,933	3,434,000	(236,933)
Commissioner of the Revenue	244,849	220,579	(24,270)
Treasurer	242,698	199,797	(42,901)
Medical Examiner	630	940	310
Registrar/Electoral Board	53,000	46,801	(6,199)
Salaries - Clerk of Court	435,209	428,232	(6,977)
Total shared expenditures	<u>5,104,924</u>	<u>4,713,716</u>	<u>(391,208)</u>
Other categorical aid:			
Recovered costs - housing of			
state prisoners	43,000	43,000	-
EMS	191,079	192,667	1,588
Recovered costs - welfare	1,568,811	1,586,881	18,070



COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual – General Fund  
For the Year Ended June 30, 2003

Schedule 15 (continued)

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Mental health and mental retardation services board	\$ 32,475	\$ 32,472	\$ (3)
Confiscated goods	19,363	19,363	-
VJCCCA grant	251,526	251,526	-
Library	243,107	207,639	(35,468)
Comprehensive services act	1,477,899	1,248,337	(229,562)
Police department grant	1,630,984	1,727,758	96,774
Other state grants	482,727	326,541	(156,186)
Total other categorical aid	5,940,971	5,636,184	(304,787)
Total categorical aid	11,045,895	10,349,900	(695,995)
Total from the Commonwealth	22,909,915	22,164,092	(745,823)
From the Federal government:			
Categorical aid:			
Emergency services	28,000	60,451	32,451
Seized goods	18,740	18,740	-
Criminal history records grant	49,638	48,440	(1,198)
Welfare reimbursement	2,876,719	2,993,794	117,075
Federal land use	5,300	-	(5,300)
GED grant	7,275	6,239	(1,036)
Other Federal grants	167,046	146,783	(20,263)
Total categorical aid	3,152,718	3,274,447	121,729
Total from the Federal government	3,152,718	3,274,447	121,729
Total Intergovernmental revenues	26,062,633	25,438,539	(624,094)
Total revenues	129,002,265	130,926,463	1,924,198
Expenditures:			
General government administration:			
Legislative:			
Board of supervisors	294,787	283,396	11,391
General and financial administration:			
County administrator	282,218	261,775	20,443
Community relations	113,674	113,726	(52)
Human resources	480,328	466,525	13,803
County attorney	386,103	387,508	(1,405)
Commissioner of revenue	695,783	664,807	30,977
Assessor	908,958	892,942	16,016
Treasurer	723,346	686,307	37,039

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual – General Fund  
For the Year Ended June 30, 2003

Schedule 15 (continued)

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Risk management	\$ 144,727	\$ 144,727	\$ -
Assistant county administrator -			
Management services	123,457	122,633	824
Finance	1,068,299	1,034,894	33,405
Management and budget	203,683	193,989	9,694
Procurement	348,534	347,338	1,196
Total general and financial administration	5,479,110	5,317,171	161,939
Electoral board and officials	237,883	196,042	41,841
Total general government administration	6,011,780	5,796,608	215,171
Judicial administration			
Courts:			
Circuit court	232,306	203,169	29,138
General district court	40,878	35,813	5,065
Special magistrates	1,655	1,145	510
J and D Court	13,429	12,609	820
Clerk of the circuit court	872,973	856,883	16,090
Total courts	1,161,242	1,109,618	51,624
Law library	41,648	39,211	2,437
Commonwealth attorney	696,249	625,895	70,353
Total judicial administration	1,899,139	1,774,725	124,414
Public safety:			
Law enforcement and traffic control:			
Sheriff and Police	11,110,775	10,559,739	551,036
Highway safety commission	960	-	960
E911 maintenance	1,989,850	564,782	1,425,068
Total law enforcement and traffic control	13,101,585	11,124,521	1,977,064
Fire and rescue services:			
Fire and rescue services	8,782,891	8,663,896	118,996
Total fire and rescue services	8,782,891	8,663,896	118,996

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual – General Fund  
For the Year Ended June 30, 2003

Schedule 15 (continued)

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Correction and detention:			
Confinement and care of prisoners	\$ 4,112,051	\$ 4,090,918	\$ 21,133
Court service unit	511,035	504,442	6,593
VJCCCA Grant	456,211	331,123	125,088
Total correction and detention	5,079,297	4,926,483	152,814
Animal control	248,932	247,587	1,345
Total public safety	27,212,705	24,962,487	2,250,218
Public Works:			
General services administration	1,509,080	1,344,879	164,201
Refuse disposal	5,080,329	4,051,787	1,028,543
Maintenance of general buildings and grounds	2,774,854	2,812,101	(37,247)
Engineering	2,221,165	2,080,537	140,628
Inspections	672,411	670,749	1,662
Garage complex	135,190	127,694	7,496
Total public works	12,393,029	11,087,746	1,305,283
Health and welfare:			
Mental health	21,675	21,673	2
Psychiatrically disabled	10,800	10,765	35
Public health	459,403	430,511	28,892
Social services administration	3,568,961	3,296,111	272,850
Comprehensive services act	2,902,746	2,744,840	157,906
Public assistance	2,207,500	2,274,463	(66,963)
Institutional care	32,602	33,011	(409)
Social services organizations	167,755	167,755	-
Total health and welfare	9,371,442	8,979,128	392,313
Parks, recreation and cultural:			
Assistant county administrator - Human Services	165,783	164,558	1,225
Parks and recreation	3,644,572	3,185,677	458,895
Library	2,174,407	2,142,685	31,722
Cultural enrichment	209,990	165,177	44,813
Total parks, recreation and cultural	6,194,752	5,658,097	536,655
Community development:			
Planning and zoning	668,809	476,257	192,552
Cooperative extension program	89,456	61,509	27,947

COUNTY OF ROANOKE, VIRGINIA  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual – General Fund  
For the Year Ended June 30, 2003

Schedule 15 (continued)

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Economic development	\$ 549,061	\$ 532,743	\$ 16,318
Public transportation	640,466	425,958	214,507
Contribution to human service organizations	86,010	85,950	60
Total community development	2,033,802	1,582,418	451,384
Nondepartmental:			
Employee benefits	200,000	199,976	24
Dixie caverns landfill cleanup	35,000	27,860	7,140
Miscellaneous	366,236	189,673	176,563
Tax relief for the elderly and handicapped	444,151	379,825	64,326
Refuse credit - Town of Vinton	110,000	110,000	-
Reserve for revenue shortfall	736,711	-	736,711
Board contingency	51,500	-	51,500
Total nondepartmental	1,943,598	907,334	1,036,264
Total expenditures	67,060,246	60,748,544	6,311,702
Excess of revenues over expenditures	61,942,019	70,177,919	8,235,900
Other financing sources (uses):			
Operating transfers in:			
Transfer from capital projects fund	566,818	566,818	-
Operating transfers out:			
Transfer to debt service fund	(2,913,372)	(2,913,372)	-
Transfer to school board component unit	(61,220,834)	(61,159,574)	61,260
Transfer to internal service funds	(421,952)	(421,952)	-
Transfer to capital projects fund	(1,976,071)	(1,976,071)	-
Net change in fund balance	(4,023,393)	4,273,768	8,297,160
Fund balance at beginning of year	13,194,363	14,269,874	1,075,511
Fund balance at end of year	<u>\$ 9,170,970</u>	<u>\$ 18,543,642</u>	<u>\$ 9,372,671</u>

## Statistical Section



COUNTY OF ROANOKE, VIRGINIA  
General Government and Component Unit Revenues and Other Sources  
(Unaudited)  
Last Ten Fiscal Years

Table 1

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenues:							
From local sources:							
General property taxes	\$ 73,501,276	\$69,036,458	\$65,970,661	\$66,789,577	\$66,330,436	\$66,681,355	\$63,485,309
Other local taxes	25,712,914	24,946,767	23,828,506	23,492,100	22,011,789	21,086,186	19,831,108
Permits and licenses	628,310	697,478	641,241	674,606	722,187	744,244	752,034
Fines and forfeitures	584,979	709,667	551,743	606,580	572,021	544,812	607,998
Interest and rental income	897,010	1,342,438	1,611,001	1,301,339	916,825	855,409	805,686
Charges for services	7,108,245	6,249,400	4,585,440	4,674,342	4,463,159	4,194,138	3,671,364
Miscellaneous	1,396,673	1,353,913	731,640	631,707	628,463	409,003	304,259
Recovered costs	-	-	660,523	543,170	702,897	815,258	938,586
From the commonwealth	71,135,674	68,706,744	68,399,563	60,703,217	54,498,181	46,119,041	45,028,114
From the federal government	7,922,229	7,709,610	6,789,044	6,318,790	5,814,295	5,092,433	4,721,192
Total revenues	<u>188,887,310</u>	<u>180,752,475</u>	<u>173,769,362</u>	<u>165,735,428</u>	<u>156,660,253</u>	<u>146,541,879</u>	<u>140,145,650</u>
Other sources:							
Proceeds from lease/purchase	-	-	-	-	-	756,949	2,200,000
Proceeds from sale of machinery and equipment	24,133	-	-	700	7,388	23,856	3,669
Proceeds from sale of bonds, net	28,612,950	-	-	-	-	-	-
Annexation revenue	-	-	-	-	-	-	-
Operating transfers from other funds	952,851	65,540	872,400	542,442	549,224	985,293	1,594,964
Total other sources	<u>29,589,934</u>	<u>65,540</u>	<u>872,400</u>	<u>543,142</u>	<u>556,612</u>	<u>1,766,098</u>	<u>3,798,633</u>
Total revenues and other sources	<u>\$218,477,244</u>	<u>\$180,818,015</u>	<u>\$174,641,762</u>	<u>\$166,278,570</u>	<u>\$157,216,865</u>	<u>\$148,307,977</u>	<u>\$143,944,283</u>

NOTE: Includes General Fund, School Board Debt Service and Operations, and Primary Government Debt Service Fund.

COUNTY OF ROANOKE, VIRGINIA  
General Government and Component Unit Expenditures and Other Uses  
(Unaudited)  
Last Ten Fiscal Years

Table 2

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Expenditures:										
General government administration	\$6,703,944	\$7,039,090	\$6,224,356	\$6,019,372	\$5,558,289	\$6,066,957	\$5,894,722	\$6,160,590	\$6,056,281	\$4,742,540
Judicial administration	1,812,595	1,931,085	1,778,637	1,702,954	1,609,534	1,528,637	1,478,127	1,335,231	1,318,429	1,127,707
Public safety	24,924,617	25,445,995	22,581,560	20,023,739	18,915,565	17,024,241	15,636,486	15,522,379	14,083,183	13,093,623
Public works	11,087,746	10,324,501	10,435,697	9,970,391	9,801,297	10,444,176	11,091,643	8,889,023	8,218,797	7,918,715
Health and welfare	8,979,128	8,690,234	7,711,943	7,117,903	6,817,061	6,776,855	5,785,104	5,636,409	5,235,004	4,766,930
Education	110,718,324	105,233,677	98,286,126	94,837,840	89,094,240	87,263,135	83,228,913	79,751,008	75,560,938	73,048,098
Parks, recreation & cultural	5,658,097	5,812,703	5,002,685	4,805,306	4,586,725	4,162,785	3,998,283	3,690,217	3,230,182	2,915,867
Community development	1,582,418	1,479,648	1,842,597	1,727,298	1,653,704	1,607,076	1,629,711	1,479,458	1,468,992	1,176,273
Nondepartmental	-	-	823,500	919,150	879,263	1,550,653	1,442,135	2,163,183	3,194,448	2,357,168
Debt service	<u>12,088,983</u>	<u>9,849,231</u>	<u>11,047,086</u>	<u>10,509,531</u>	<u>9,125,457</u>	<u>8,905,505</u>	<u>9,056,097</u>	<u>8,622,529</u>	<u>8,181,052</u>	<u>8,779,283</u>
Total expenditures	183,555,853	175,806,164	165,734,187	157,633,484	148,041,135	145,330,020	139,241,221	133,250,027	126,547,306	119,926,204
Other uses:										
Payment to refunded bond escrow agent	28,968,171	-	-	-	-	-	-	-	-	-
Transfers to:										
County Capital Projects fund	1,854,070	5,431,538	5,348,262	3,387,144	5,032,334	4,825,310	3,447,167	2,282,460	835,312	561,097
School Capital Projects fund	4,009,062	2,273,570	1,338,489	1,122,009	351,875	289,850	405,746	578,480	-	-
Agency fund	-	-	-	-	-	-	-	-	-	80,100
Proprietary fund	<u>422,372</u>	<u>154,828</u>	<u>117,824</u>	<u>273,778</u>	<u>148,360</u>	<u>214,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,734</u>
Total other uses	<u>35,253,674</u>	<u>7,859,936</u>	<u>6,804,575</u>	<u>4,782,931</u>	<u>5,532,569</u>	<u>5,329,244</u>	<u>3,852,913</u>	<u>2,860,940</u>	<u>835,312</u>	<u>1,614,931</u>
Total expenditures	<u>\$218,809,527</u>	<u>\$183,666,100</u>	<u>\$172,538,762</u>	<u>\$162,416,415</u>	<u>\$153,573,704</u>	<u>\$150,659,264</u>	<u>\$143,094,134</u>	<u>\$136,110,967</u>	<u>\$127,382,618</u>	<u>\$121,541,135</u>

Notes: Includes General fund, School Board Debt Service and Operations, and Primary Government Debt Service fund.



COUNTY OF ROANOKE, VIRGINIA  
Property Tax Levies and Collections  
(Unaudited)  
Last Ten Fiscal Years

Table 3

<b>Fiscal Year</b>	<b>Total Tax Levy (1,2,3)</b>	<b>Current Tax(1)(4) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collection to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Tax to Tax Levy</b>
1994	\$ 51,589,338	\$ 50,230,745	97.37 %	\$ 1,467,109	\$ 51,697,854	100.21 %	\$ 2,133,920	4.14 %
1995	55,364,775	53,976,530	97.49	1,607,880	55,584,410	100.40	1,926,472	3.48
1996	59,869,861	58,274,508	97.34	1,391,789	59,666,297	99.66	2,139,261	3.57
1997	63,165,571	61,364,103	97.15	1,781,654	63,145,757	99.97	2,168,846	3.43
1998	66,009,702	64,369,448	97.52	1,421,680	65,791,128	99.67	2,387,418	3.62
1999	69,349,305	67,761,220	97.71	1,605,458	69,366,678	100.03	2,370,045	3.42
2000	73,061,898	71,481,941	97.84	1,701,080	73,183,021	100.17	2,424,523	3.32
2001	76,218,272	74,082,128	97.20	1,848,615	75,930,743	99.62	2,790,009	3.66
2002	80,088,427	77,434,626	96.69	2,099,914	79,534,540	99.31	2,968,149	3.71
2003	85,103,201	81,994,546	96.35	2,177,234	84,171,780	98.91	2,941,006	3.46

Notes:

- (1) Exclusive of penalties and interest
- (2) Does not include land redemptions
- (3) Levy includes adjustments, abatements and additions assessed currently against current and delinquent tax years
- (4) Includes Personal Property Tax Relief from the Commonwealth

COUNTY OF ROANOKE, VIRGINIA  
Valuation of All Taxable Property  
(Unaudited)  
Last Ten Fiscal Years

Table 4

Fiscal Year	Real		Personal		Public Service Corporation		Total Assessed Value
	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	
		Actual Value		Actual Value		Actual Value	
1994	\$3,204,595,900	\$3,204,595,900	\$398,792,150	\$398,792,150	\$140,644,743	\$140,644,743	\$3,744,032,793
1995	3,373,236,870	3,373,236,870	456,466,063	456,466,063	153,011,696	153,011,696	3,982,714,629
1996	3,596,716,200	3,596,716,200	538,863,668	538,863,668	160,275,399	160,275,399	4,295,855,267
1997	3,771,706,000	3,771,706,000	553,405,634	553,405,634	158,654,256	158,654,256	4,483,765,890
1998	3,969,240,000	3,969,240,000	581,197,512	581,197,512	166,801,649	166,801,649	4,717,239,161
1999	4,172,797,700	4,172,797,700	614,632,926	614,632,926	169,087,971	169,087,971	4,956,518,597
2000	4,384,012,000	4,384,012,000	638,435,868	638,435,868	191,188,963	191,188,963	5,213,636,831
2001	4,643,168,800	4,643,168,800	656,165,873	656,165,873	195,341,354	195,341,354	5,494,676,027
2002	4,934,402,800	4,934,402,800	656,879,439	656,879,439	193,280,816	193,280,816	5,784,563,055
2003	5,219,760,400	5,219,760,400	685,832,531	685,832,531	209,248,724	209,248,724	6,114,841,655

Property Tax Rates

County of Roanoke					Town of Vinton	
FiscalYear				Personal	Real	Personal
	Real Property (1)			Property (1) (2)	Property (1)	Property (1) (2)
	First Half	Second Half	Total			
1994	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
1995	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
1996	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
1997	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
1998	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
1999	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
2000	\$0.565	\$0.565	\$1.13	\$3.50/3.00 (3)	\$0.05	\$1.00
2001	\$0.560	\$0.560	\$1.12	\$3.50/3.00 (3)	\$0.05	\$1.00
2002	\$0.560	\$0.560	\$1.12	\$3.50/3.00 (3)	\$0.05	\$1.00
2003	\$0.560	\$0.560	\$1.12	\$3.50/3.00 (3)	\$0.05	\$1.00

(1) All tax rates per \$100 of assessed value.

(2) Applies to tangible personal property, machinery and tools.

(3) Tangible personal property - \$3.50; Machinery and tools - \$3.00.

COUNTY OF ROANOKE, VIRGINIA  
Local Tax Revenue by Source (1)  
(Unaudited)  
Last Ten Fiscal Years

Table 5

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
General property taxes	\$73,501,276	\$69,036,458	\$65,970,661	\$66,789,577	\$66,330,436	\$66,681,325	\$63,485,309	\$60,399,166	\$56,407,537	\$52,496,246
Sales taxes	6,462,359	6,135,430	6,209,742	6,206,449	5,821,645	5,646,046	5,241,815	5,203,390	5,054,088	4,957,623
Business license	4,615,098	4,272,833	4,079,494	4,066,122	3,667,368	3,515,846	3,342,969	2,960,832	3,159,025	3,445,453
Motor Vehicle license	1,721,892	1,712,202	1,667,433	1,630,041	1,605,486	1,553,433	1,532,536	1,503,245	1,491,960	1,446,231
Bank franchise taxes	347,417	454,421	400,500	338,245	290,409	272,546	261,780	262,335	184,107	131,367
Taxes on recordation and wills	1,211,416	1,099,645	1,122,067	983,834	1,081,458	1,012,556	951,756	971,286	790,285	768,055
Utility license tax	459,040	488,713	490,262	387,668	415,409	375,288	352,127	351,539	294,700	290,060
Utility consumer tax	4,709,906	4,684,558	4,461,525	4,346,291	4,075,975	4,215,174	3,944,027	3,957,777	3,861,958	3,560,827
E911 tax	905,053	1,173,534	804,528	894,280	689,985	617,813	540,525	523,329	442,654	212,864
Hotel and motel tax	590,988	676,526	549,163	715,130	597,385	546,149	619,294	608,075	627,198	504,041
Tax on prepared food	2,782,567	2,601,408	2,510,537	2,562,570	2,545,520	2,339,858	2,149,096	2,130,358	2,084,278	2,017,156
Other taxes	1,907,178	1,647,497	1,533,255	1,361,470	1,221,149	991,477	895,183	827,985	427,281	724,928
Total local taxes	<u>\$99,214,190</u>	<u>\$93,983,225</u>	<u>\$89,799,167</u>	<u>\$90,281,677</u>	<u>\$88,342,225</u>	<u>\$87,767,511</u>	<u>\$83,316,417</u>	<u>\$79,699,317</u>	<u>\$74,825,071</u>	<u>\$70,554,851</u>

(1) General fund revenues only.

Ratio of Annual Debt Service Expenditures for  
General Long-Term Debt to Total General Government Expenditures  
(Unaudited)  
Last Ten Fiscal Years

Table 6

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>	<u>Total General</u> <u>Government</u> <u>Expenditures</u>	<u>Percent of Debt</u> <u>Service to General</u> <u>Expenditures</u>
1994	\$ 5,198,674	\$ 3,580,609	\$ 8,779,283	\$ 121,541,135	7.22 %
1995	4,692,322	3,469,892	8,162,214	127,386,618	6.41
1996	4,776,719	3,832,825	8,609,544	136,110,967	6.33
1997	5,307,349	3,740,320	9,047,669	143,094,134	6.32
1998	5,208,565	3,686,796	8,895,361	145,954,642	6.10
1999	5,362,375	3,749,415	9,111,790	153,573,704	5.93
2000	6,259,749	4,239,201	10,498,950	162,416,415	6.60
2001	6,856,327	4,185,655	11,041,982	172,538,763	6.40
2002	5,343,416	4,505,815	9,849,231	183,666,100	5.36
2003	6,168,842	5,300,724	11,469,566	218,591,712	5.24

The County does not have any overlapping debt.  
Table 6 includes Component Unit data.

COUNTY OF ROANOKE, VIRGINIA  
Ratio of Net General Bonded Debt to Assessed Value  
and Net Bonded Debt Per Capita  
(Unaudited)  
Last Ten Fiscal Years

Table 7

Fiscal Year	Population (1)	Assessed Value	Gross Bonded Debt	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net bonded Debt per Capita
1994	82,700	\$ 3,744,032,793	\$ 125,082,439	\$ 66,594,626	\$ 58,487,813	1.56	\$ 707
1995	81,800	3,982,714,629	133,844,667	65,372,499	68,472,168	1.72	837
1996	81,800	4,295,855,267	129,412,652	64,425,177	64,987,475	1.51	794
1997	81,700	4,483,765,890	125,865,051	63,670,459	62,194,592	1.39	761
1998	83,200	4,717,239,161	123,831,514	64,357,505	59,474,009	1.26	715
1999	83,700	4,956,518,597	145,368,159	72,452,325	72,915,834	1.47	871
2000	85,778	5,213,636,831	151,095,334	74,342,980	76,752,354	1.47	895
2001	86,800	5,494,676,027	160,524,800	73,288,741	87,236,059	1.59	1,005
2002	87,700	5,784,563,055	167,327,810	71,212,355	96,115,455	1.66	1,096
2003	87,700	6,114,841,655	160,343,319	69,154,242	91,189,077	1.49	1,040

Notes: (1) From VaStat, a service of the Weldon Cooper Center for Public Service. Fiscal Year 2003 was unavailable

COUNTY OF ROANOKE, VIRGINIA  
Revenue Bond Coverage – Utility Enterprise Fund  
(Unaudited)  
Last Ten Fiscal Years

Table 8

	Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage (4)
					Principal	Interest	Total	
Water Fund	1994 \$	7,272,402	\$ 3,000,069	\$ 4,272,333	\$ 625,000	\$ 969,469	\$ 1,594,469	267.95%
	1995	8,022,686	3,678,282	4,344,404	340,000	2,172,632	2,512,632	172.90%
	1996	9,713,120	4,511,246	5,201,874	905,000	2,798,633	3,703,633	140.45%
	1997	10,316,362	4,511,809	5,804,553	1,220,000	2,823,751	4,043,751	143.54%
	1998	10,752,318	4,475,590	6,276,728	1,555,000	2,765,421	4,320,421	145.28%
	1999	11,063,301	4,252,009	6,811,292	1,885,000	2,641,494	4,526,494	150.48%
	2000	11,676,244	4,900,596	6,775,648	1,497,448	3,208,429	4,705,877	143.98%
	2001	10,403,493	3,603,990	6,799,503	1,442,762	3,263,245	4,706,007	144.49%
	2002	10,962,808	3,899,223	7,063,585	1,427,794	3,437,772	4,865,566	145.17%
	2003	11,899,103	4,467,750	7,431,353	1,379,519	3,478,882	4,858,401	152.96%
Sewer Fund	1998 (5)	5,491,644	2,750,709	2,740,935	-	106,358	106,358	2577.08%
	1999	5,769,001	2,668,176	3,100,825	-	357,516	357,516	867.32%
	2000	5,479,795	2,816,079	2,663,716	420,368	662,750	1,083,118	245.93%
	2001	5,751,469	2,895,131	2,856,338	541,899	714,895	1,256,794	227.27%
	2002	5,495,196	2,858,671	2,636,525	669,752	752,087	1,421,839	185.43%
	2003	5,552,038	3,870,568	1,681,470	699,289	737,048	1,436,337	117.07%

(1) Total operating and nonoperating revenues.

(2) Total operating expenses, exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

(4) Net revenue available for debt service is required to be at least 115% of debt service.

(5) Fiscal year 1998 was the first year the sewer fund was required to repay debt as a result of the issuance of revenue bonds, therefore, ten years of data does not exist.

COUNTY OF ROANOKE, VIRGINIA  
Demographic Statistics  
Last Ten Fiscal Years  
(Unaudited)  
June 30, 2003

Table 9

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate %</u>
1994	82,700	24,902	13,551	4.0
1995	81,800	26,774	13,652	2.2
1996	81,800	27,832	13,721	2.4
1997	81,700	28,588	13,863	2.7
1998	83,200	30,055	13,898	1.7
1999	83,700	30,408	13,862	2.2
2000	85,778	32,194	13,856	2.0
2001	86,800	33,208	13,836	2.2
2002	87,700	33,208	13,859	3.4
2003	87,700	33,208	14,119	2.5

Population Source: From VaStat, a service of the Weldon Cooper Center for Public Service. Fiscal year 2003 was unavailable.

Income Source: Per Capita Personal Income from the Bureau of Economic Analysis. Fiscal Year 2002 and 2003 were unavailable.

School Enrollment: Roanoke County Public Schools

Unemployment Rate Source: Virginia Employment Commission

COUNTY OF ROANOKE, VIRGINIA  
Twenty Largest Real Estate Assessments  
(Unaudited)  
June 30, 2003

Table 10

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value (Millions)</u>	<u>Amount of Tax</u>	<u>Percent of Total Levy</u>
American Electric Power	Utility	\$95	\$1,062,144	1.8 %
Verizon Virginia Inc.	Utility	50	563,254	0.9
Tanglewood Mall Associates	Shopping Center	37	418,735	0.7
Kroger Limited Partnership	Grocery/Distribution	16	184,227	0.3
Pebble Creek, LLC	Apartments	13	149,297	0.3
Hanover Realty, Inc.	Retail Distribution	13	147,035	0.2
RR Donnelley & Sons Company	Publisher/Distribution	13	143,989	0.2
DFC Roanoke LLC	Apartments	12	131,037	0.2
Roanoke Valleypointe LLC	Office Space	12	130,997	0.2
Roanoke Gas	Utility	11	129,701	0.2
Occidental Development Limited	Real Estate	11	129,313	0.2
Allstate Insurance Company	Insurance	11	128,547	0.2
Walmart	Retail	11	125,854	0.2
Wachovia	Bank	11	124,046	0.2
Carilion Health Services	Medical Care	11	121,117	0.2
Blue Ridge Associates	Retail Warehouse	10	119,404	0.2
Norfolk Southern Railway Company	Railroad	9	108,027	0.2
Friendship Manor, Inc.	Retirement Home	9	106,856	0.2
Honeywood Associates	Apartments	9	99,434	0.2
International Telephone & Telegraph	Communications	9	96,380	0.2
		<u>\$373</u>	<u>\$4,219,394</u>	<u>7.0 %</u>

COUNTY OF ROANOKE, VIRGINIA  
Property Value, Construction and Bank Deposits  
(Unaudited)  
Last Ten Fiscal Years

Table 11

Fiscal Year	Property Value	Commercial Construction (1)		Residential Construction (1)		Bank Deposits	
	Total Assessed Value	Number of Permits	Value	Number of Permits	Value		
1994	\$ 3,744,032,793	441	\$ 21,262,530	1,569	\$ 33,661,732	\$ 798,820,000	(2)
1995	3,982,714,629	353	27,296,708	1,562	31,300,476	632,945,934	(3)
1996	4,295,855,267	380	17,079,937	1,648	30,916,138	644,503,087	(3)
1997	4,483,765,890	426	32,544,934	1,793	41,263,303	648,241,520	(3)
1998	4,717,239,161	372	32,598,925	1,434	36,423,383	730,008,439	(3)
1999	4,956,518,597	312	23,052,792	1,441	32,717,987	871,622,000	(4)
2000	5,213,636,831	164	18,866,597	1,442	35,035,387	816,000,000	(4)
2001	5,494,676,027	156	28,287,287	1,224	34,331,096	874,000,000	(4)
2002	5,784,563,055	138	16,089,993	1,158	37,283,372	1,227,000,000	(4)
2003	6,114,841,655	142	18,810,026	1,083	37,481,655	686,000,000	(4)

Notes:

- (1) Source: Construction Building Services Department of Roanoke County, Virginia.
- (2) Source (Fiscal Year 1994): University of Virginia Financial Institutions Data Exchange; includes banks, credit unions, and savings and loans institutions.
- (3) Source (Fiscal Years 1995-1998): Schedule H (Form 64) Bank Franchise Tax, Commonwealth of Virginia Department of Taxation (banks only).
- (4) Source (Fiscal Years 1999-2003): Federal Reserve Bank; Virginia Total Deposits.

Miscellaneous Statistics  
(Unaudited)  
June 30, 2003

Table 12

Date Established	1838
Form of Government	County Administrator
Parks	52
Community Centers	5
Libraries	6
Fire Protection:	
Stations	11
Firefighters and Volunteers	394
Law Enforcement:	
Law Enforcement Vehicles	115
Officers	114



COUNTY OF ROANOKE, VIRGINIA  
Principle Area Employers  
(Unaudited)  
June 30, 2003

Table 13

<b>Employer</b>	<b>Product or Service</b>	<b>Estimated Employment</b>
Carilion Health System	Health Care	7,596
Roanoke City Schools	Education	2,570
Roanoke County Public Schools	Education	2,225
Wachovia	Banking	2,070
Roanoke City	Local Government	1,931
Norfolk Southern Corporation	Railway	1,800
Kroger Mid-Atlantic	Food Retailer	1,610
Virginia Medical Center	Health Care	1,460
United States Postal Service	Mail Service	1,400
Salem City	Local Government	1,391
Home Shopping Network	Telephone Retail	1,370
Lewis Gale Medical Center	Health Care	1,359
Allstate Insurance Company	Insurance	1,350
General Electric Company	Utility	1,250
Advance Stores Company, Inc.	Retail	1,161
Roanoke County	Local Government	1,100
Manpower Incorporated	Employment Service	970
Food Lion Stores Incorporated	Food Retailer	959
Yokohama Tire Corporation	Tire Manufacturing	905
Lewis Gale Clinic Incorporated	Health Care	900
ITT Industries, Night Vision	Electro Optical Equipment	850
Anthem Blue Cross Blue Shield	Insurance	810
United Parcel Service	Parcel Service	780
Botetourt County Schools	Education	740
Orvis	Catalog Sales	640
Atlantic Mutual Company	Insurance	640

*Source: Roanoke Regional Chamber of Commerce 2002-2003 Directory*

COUNTY OF ROANOKE, VIRGINIA  
Surety Bonds  
(Unaudited)  
June 30, 2003

Table 14

Name	Title	Surety	Amount
Michael W. Altizer	Supervisor	Travelers Casualty & Surety Company	\$1,000,000
H. Odell Minnix	Supervisor	Travelers Casualty & Surety Company	1,000,000
Butch J. Church	Supervisor	Travelers Casualty & Surety Company	1,000,000
Joseph P. McNamara	Supervisor	Travelers Casualty & Surety Company	1,000,000
Richard C. Flora	Supervisor	Travelers Casualty & Surety Company	1,000,000
Elmer C. Hodge	County Administrator	Travelers Casualty & Surety Company	1,000,000
William E. Driver	County Assessor	Travelers Casualty & Surety Company	1,000,000
Betty R. McCrary	Director of Social Services	Travelers Casualty & Surety Company	1,000,000
James R. Lavinder	Chief of Police	Travelers Casualty & Surety Company	1,000,000
Nancy J. Horn	Commissioner of the Revenue	Travelers Casualty & Surety Company-Excess Coverage	500,000
Nancy J. Horn	Commissioner of the Revenue	Commonwealth of Virginia	500,000
Alfred C. Anderson	Treasurer	Travelers Casualty & Surety Company-Excess Coverage	500,000
Alfred C. Anderson	Treasurer	Commonwealth of Virginia	500,000
Steven A. McGraw	Clerk of the Circuit Court	Travelers Casualty & Surety Company-Excess Coverage	500,000
Steven A. McGraw	Clerk of the Circuit Court	Commonwealth of Virginia	500,000
Gerald S. Holt	Sheriff	Travelers Casualty & Surety Company-Excess Coverage	500,000
Gerald S. Holt	Sheriff	Commonwealth of Virginia	500,000
Darlene Ratliff	Deputy Clerk of the School Board	Utica National Insurance Group	1,000,000
Brenda F. Chastain	Clerk of the School Board	Utica National Insurance Group	1,000,000
Diane D. Hyatt	Chief Financial Officer	Travelers Casualty & Surety Company	1,000,000
Rebecca E. Owens	Director of Finance	Travelers Casualty & Surety Company	1,000,000
Penny A. Hodge	Director of Finance & Budget, Schools	Utica National Insurance Group	1,000,000

All County of Roanoke employees are covered by a blanket bond of \$1,000,000 per employee through Travelers Casualty & Surety Company.

All Roanoke County Public School employees are covered by a blanket bond of \$1,000,000 per employee through Utica National Insurance Group.

## Single Audit Section





10 S. Jefferson Street, Suite 1710  
Roanoke, VA 24011-1331

**Report on Compliance and on Internal  
Control Over Financial Reporting Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

The Honorable Members of the  
Board of Supervisors  
County of Roanoke, Virginia:

We have audited the basic financial statements of the County of Roanoke, Virginia (the County) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee of the board of supervisors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 17, 2003



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.





COUNTY OF ROANOKE, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2003

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal Catalog Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.550	\$ 1,371
School Breakfast Program	10.553	57,701
National School Lunch Program	10.555	227,506
Food Stamp Program	10.551	87,816
Department of Social Services : Food Stamp Administrative Matching Grant	10.561	403,406
Department of Education: National School Lunch Program	10.555	681,778
Schools and Roads- Grants to States	10.665	1,654
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass Through Payments:		
Department of Social Services:		
Foster Care - Title IV-E	93.658	790,105
Social Services Block Grant	93.667	400,574
Low-Income Home Energy Assistance	93.568	12,094
Independent Living	93.674	4,218
Temporary Assistance to Needy Families	93.558	392,999
Adoption Assistance	93.659	72,631
Medical Assistance Program	93.778	277,776
Child Care and Development Block Grant	93.575	30,687
Refugee School Impact	93.576	4,434
Child Care Mandatory and Matching Funds	93.596	845,437
Family Preservation and Support Services	93.556	40,927
Refugee and Entrant Assistance-State Administered Programs	93.566	338
National Park Service:		
Pass Through Payments:		
Department of Conservation and Recreation:		
Outdoor Recreation Acquisition, Development, and Planning	15.916	50,000
DEPARTMENT OF JUSTICE:		
Direct Payments:		
Bulletproof Vest Partnership Program	16.607	14,537
Bureau of Justice Assistance Local Law Enforcement Block Grant	16.592	54,209
Pass Through Payments:		
Department of Criminal Justice Services:		
Drug Control and System Improvement	16.579	89,645
Violence Against Women	16.588	33,620
Community Oriented Policing Services	16.710	33,476



COUNTY OF ROANOKE, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2003

(continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal Catalog Number	Federal Expenditures
DEPARTMENT OF LABOR:		
Pass Through Payments:		
School To Work Transition Program	17.261	197,316
DEPARTMENT OF NATIONAL COMMUNITY SERVICE:		
Pass Through Payments:		
National Community Service Act - Learn and Service America	94.004	14,000
DEPARTMENT OF TRANSPORTATION:		
Direct Payments:		
Highway Planning and Construction (Parkway Visitors Center)	20.205	37,677
Pass Through Payments:		
Department of Motor Vehicles:State and Community Highway Safety Program	20.600	2,165
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Pass Through Payments:		
Federal Emergency Management Agency:		
Hazard Mitigation	83.548	53,421
Assistance to Firefighters	83.554	28,000
Emergency Management Performance Grants	83.552	30,000
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
Department of Education:		
Literacy Program for Prisoners	84.255	6,239
Education Consolidation and Improvement Act of 1981:		
Title I:		
Grants to Local Education Agencies	84.010	686,719
Professional Development Grants	84.298	63,748
Title II- Part A	84.367	194,350
Title II- Enhancing Education Through Technology	84.318	160,641
Title II- Education for Economic Security	84.281	22,549
Title III-English Language Acquisition grant	84.365	3,709
Elementary and Secondary Education Act (ESEA):		
Title IV-B: Assistance to States for Education of Handicapped Children:		
Special Education - Grants to States	84.027	2,283,136
Special Education - Preschool Grants	84.173	97,505
Vocational Education:		
Tech Prep Education	84.243	97,187
Basic Grants to State	84.048	154,321
Special Projects:		
Advanced Placement Program Year 3	84.330	150
Drug Free Schools & Communities	84.186	94,869
<b>Total Federal Expenditures</b>		<b>\$ 8,836,641</b>

See accompanying notes to schedule of expenditures of federal awards

## **County of Roanoke, Virginia**

### **Notes to Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2003

- Basis of Accounting – Federal Programs are accounted for on the full accrual basis of accounting.
- Reporting Entity – The Schedule includes all grants awarded to the County of Roanoke, Virginia. The reporting entity is defined in Note 1 of the County's basic financial statements.
- In-Kind Contributions – The County received \$228,210 in food and food stamps from the U.S. Department of Agriculture during fiscal year 2003. These in-kind contributions are not included in the basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2003

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: unqualified opinion.
- (b) Reportable conditions in internal control were disclosed by the audit of the basic financial statements: none noted. Material weaknesses: none.
- (c) Noncompliance which is material to the basic financial statements: none.
- (d) Reportable conditions in internal control over major programs: none noted. Material weaknesses: none.
- (e) The type of report issued on compliance for major programs: unqualified opinion.
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: yes.
- (g) Major programs: Foster Care – Title IV-E (93.658); Special Education Cluster (84.027 and 84.173); Title I Grants to Local Educational Agencies (84.010).
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: yes.

**(2) Findings Relating to the Financial Statements Reported in Accordance With *Government Auditing Standards*:**

None.

**(3) Findings and Questioned Costs Relating to Federal Awards:**

Finding 03-1 – Allowable Costs/Cost Principles

Program – Special Education Cluster (84.027 and 84.173) and Title I Grants to Local Educational Agencies (84.010).

Condition – Required time certifications for employees were not maintained.

Criteria – Program administration requirements, as prescribed by OMB Circular A-87, necessitate that for instances in which employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages shall be supported by periodic time certifications.

Effect – Noncompliance with the program requirements may result in reduced federal funding as a result of unallowable employee costs charged to a Federal grant.

Questioned costs – None. Employees subsequently certified that time charged to these grants was appropriate. Also, due to other mitigating controls and the nature of the workforce/program, no questioned costs were identified.

Recommendation – Payroll policies should include procedures to ensure that the time certifications required by OMB Circular A-87 are maintained.



10 S. Jefferson Street, Suite 1710  
Roanoke, VA 24011-1331

**Report on Compliance with Commonwealth  
of Virginia Laws, Regulations, Contracts and Grants**

The Honorable Members of the  
Board of Supervisors  
County of Roanoke, Virginia:

We have audited the basic financial statements of the County of Roanoke, Virginia (the County) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 17, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the County is the responsibility of the management of the County. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grants for which we performed tests of compliance:

**Code of Virginia**

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Debt Provisions  
Retirement Systems  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act

**State Agency Requirements**

Enhanced 911 Service Taxes  
Comprehensive Youth Services Act  
Education  
Personal Property Tax Relief Act  
Social Services

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or *Specifications for Audits of Counties, Cities and Towns*.





This report is intended solely for the information and use of the audit committee of the board of supervisors, management, the Auditor of Public Accounts of the Commonwealth of Virginia, and the applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 17, 2003